



CITY OF HARTFORD
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CITY OF HARTFORD	County VAN BUREN
Audit Date 6/30/05	Opinion Date 7/26/05	Date Accountant Report Submitted to State: September 21, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C			
Street Address 830 PLEASANT STREET, P.O. BOX 44	City ST. JOSEPH	State MI	ZIP 49085
Accountant Signature <i>Robert P. Gerbel</i>		Date 9-21-05	

CITY OF HARTFORD

FINANCIAL REPORT

June 30, 2005

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Telephone: (269) 621-2477

Fax: (269) 621-2054

www.hartfordmi.com

July 26, 2005

To the Honorable Mayor, Members of the City Commission, and Citizens of the City of Hartford:

Michigan state law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP); and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hartford for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the City of Hartford (the "City"). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse; and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Gerbel & Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately preceding the report of the independent auditors.

Profile of the Government

The City of Hartford is located in Van Buren County in the Southwestern corner of Michigan, on two of the major routes (Red Arrow Highway and Interstate-94) through Southwestern Michigan. Land area is approximately 1.5 square miles with a population of 2,476 based on the 2000 census.

The City of Hartford is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing City Commission. Hartford was fully incorporated as a home rule city on October 4, 1964 with the passage of its charter, and employs the commission-manager form of government.

Policy-making and legislative authority are vested in a governing commission consisting of the mayor and six other members. The governing commission is responsible, among other things for passing ordinances, adopting the budget, appointing boards and committees, approving contracts, authorizing real estate transactions, approving payments, awarding bids, selling personal property, and hiring the city's manager and attorney. The city manager is responsible for carrying out the policies and ordinances of the governing commission, for overseeing the day-to-day operations of the city, and for appointing the heads of the various city departments. The commission is elected on a non-partisan basis. Commission members serve two-year staggered terms, with three commission members elected every year. The mayor is elected to serve a two-year term. The mayor and commission members are elected at large, and the mayor pro tem is elected by the commission.

The City of Hartford provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; sewage treatment and disposal; water treatment and distribution, and cultural events. The fire protection is provided through a legally and financially separate Fire Board in conjunction with Hartford Township.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the city manager each year. The city manager uses these requests as the starting point for developing a proposed budget. The city manager then presents this proposed budget to the commission for review at the first meeting in April. The commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than the first of June. The appropriated budget is prepared by fund, function (e.g., public safety) and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City commission. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 9 as part of the basic financial statements for the governmental funds. For other governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 10.

The City of Hartford, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The City's major governmental funds are the General Fund and Major Street Fund. The City's proprietary funds are the Water and Sewer Funds. As the City collects its own taxes as well as the taxes for other governmental entities, it has a fiduciary Tax Collection Fund.

Factors Affecting Financial Conditions.

The information presented in the financial statement is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Hartford operates.

Local economy

Hartford's local economy is not limited to its geographical boundaries. In order to understand the dynamics of the local economy, the socio-economic and demographic profile for the city, which includes detailed information for both the city and its local trade area, must be equally put into consideration.

This information reveals trends for key economic and demographic indicators such as population size, age, ethnicity, education attainment, employment and earnings. This information would be briefly presented. For the economic and demographic assessment, the trade area is defined as areas within 5-10 miles of the City of Hartford.

Population. The population in the City of Hartford is expected to remain constant between now and 2006. However, population in the Hartford trade area is projected to increase at a rate of 2.8% between now and 2006. This rate is similar to the State average and below the rate for the Red Arrow trade area in general.

Households. The total number of households has increased in every region except the City since 1990. The City experienced a 0.6% decrease in the number of households between 1990 and 2001. However, the City is expected to see an increase in the number of households between now and 2006.

Age characteristics. Between 1990 and 2001 the median age of the trade area residents increased from 30.3 years old to 33.4 years old. The median is expected to increase slightly to 33.6 years by 2006. Between 2001 and 2006 the youth population (less than 18 years) is expected to increase in both the City of Hartford and the Hartford trade area. However, the increase is expected to be minimal. At the same time the senior population (greater than 65 years of age) is expected to decrease in both the City and trade area.

Ethnic groups. The City of Hartford is the second most diverse town in the Red Arrow Corridor with Hispanics accounting for 11.9% of the population, and other minority groups accounting for 10.6% of the population. The Hartford Trade Area is the most diverse of the Red Arrow Trade

Areas with Hispanics residents making up 12.9% of the population, and residents from other minority groups accounting for 10% of the total population in 2001. These figures have increased significantly since 1990.

Income trends. Between 1990 and 2006, median income in the City of Hartford and trade area increased at a rate well above the State average. During this period, the city experienced income growth at a rate of 4.8% annually, and the trade area income grew at a rate of 4.3% annually. These figures compare to an average annual growth rate of 4.1% and 3.9% in the State and Red Arrow Trade Area respectively. As might be expected in a rural area, the median income throughout Red Arrow Trade Area is below the median income in the State as a whole. However, incomes in the City and Red Arrow Trade Area in general are expected to grow at a faster rate than statewide median income.

Household ownership. In each of the three areas the owner-to-renter household ratio has increased since 1990. This trend is expected to continue into the future. Although the City of Hartford has a relatively high renter-household rate of approximately 31%, this is not uncommon among towns of similar size.

Education. In 2001, 28% of Michigan residents had some type of college degree, compared to 16% of the residents in the City of Hartford and its trade area. The portion of population that did not graduate from high school is higher in the City and trade area as well; however, this is not surprising given the area's agricultural past.

Employment. Employment by Industry; with 27% of the total workforce, manufacturing is the largest employment sector for residents within the City of Hartford. Wholesale and Retail trades account for 25% of the employment, making it the second largest employer for Hartford residents. In the Hartford Trade Area, the two largest sectors of employment are the same as in the City.

Service sector employment in the city and trade area is significantly lower than the State and regional averages, while the percentage of population working in agriculture sector is above that of the Red Arrow trade area.

Major employers. Six major employers reside within the Hartford trade area. We define major employers as those companies employing 35 or more workers. The largest employer is Mann Metal Finishing with 135 employees. Four of the six major employers within Hartford's trade area are agricultural firms.

Land use. The land use is characteristic of the zoning classification in the City of Hartford. There are seven zoning districts and the size they occupied is listed below.

ZONING DISTRICT	ABBREVIATION	PERCENT OCCUPATION
Central Business District.	B-1	2%
General Business District	B-2	11%
General Industrial District	I	11%
Light Industrial District	LI	1%
Multi-Family Res. District	R-MF	1%
Single Fam. Residential Dist.	R-1	56%
Two-Family Residential Dist.	R-2	1%
Rural Residential District.	RR	16%

Growth residential properties. The growth of residential properties was sporadic at best until 2001 when the City had a designated Renaissance Zone. This was a catalyst for growth and potential for bigger residential development that would accommodate additional fifty (50) new single-family residential developments. Since 2001 there have been fourteen (14) new single-family residential homes built in the City of Hartford.

Occupancy rate of downtown area. The downtown area continued to withstand various challenges for the last several years but now is going through some transitional changes for improvements in the immediate future. These improvements would likely bring the occupancy rate in the Downtown Area to about eighty (80%) percent. A lot of work will still be necessary to sustain this base and expand on it.

Utility system growth capacity. The City's Utility System has plenty of capacity to accommodate future growth and the plan for future expansion has already been made when it becomes necessary to do so.

The Waste Water Treatment Plant has over one hundred thousand gallons a day available for immediate use. The Water Filtration Plant has about two hundred and fifty gallons a day available for immediate use. The City is currently able to accommodate immediate growth, and plans for future growth are already made.

Proactive approach for capital improvements. The City of Hartford does an annual assessment of its facilities and equipment to make sure they can adequately support our immediate needs and the potential for the future. Police Cars are normally replaced annually, but we are now forced to replace them every two years due to fiscal constraints. Water and Sewer lines are now evaluated annually, replacements and upgrades are done as soon as necessary. Sidewalk replacements are conducted routinely every year and the roads are repaved as needed within the limits of the City's fiscal ability. All these have helped us to keep our infrastructure in good condition.

Growth in tax base. There has been marginal growth in the City's tax base in the past few years. The much-anticipated economic improvement should serve as a catalyst for healthy growth in the City's tax base.

Expected capital improvements (over 5 to 10 year period). The expected capital improvements will be concentrated on the upgrade of our water lines to eliminate certain problem areas that will improve overall water flow, increase water pressure and permit better fire suppressant. Further, the City has a fleet of aging vehicles that need to be replaced within the next five years. Several pieces of equipment are ready to be replaced, but we want to replace equipment without any hardship on our already tight fiscal condition.

Maintaining operating funds. Finally, it is considered good business practice to maintain a minimum of six (6) months operating funds for the City's fund balance. Our goal will be consistent in our fiscal deliberations to maintain at minimum that level of fund balance during these challenging economic times. We are always ready to make necessary adjustments that would preserve the city's fiscal integrity in the short and long term.

Cash management policies and practices. The City of Hartford is generally conservative in its approach to cash management. Cash is deposited upon receipt in interest bearing cash management accounts with a local bank. Idle cash is invested in mainly negotiable bank CD's and the city has one investment in a U.S. Government securities mutual fund. These investments are consistent with the City's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio. The City's investment policy emphasizes protecting taxpayers against potential deficits.

Risk management. Under a comprehensive plan of risk management, the City maintains property, liability, and workers compensation insurance coverage through the Michigan Municipal League insurance pools. The City also is required by union contracts to maintain health and short-term disability coverage for some employees. This coverage is maintained by private insurance carriers.

Pension and other post-employment benefits. In 2001, the City began providing pension benefits to all of its full-time employees through a defined contribution plan. Additional information on the City's retirement system can be found in Note 8, page 27 in the notes to the financial statements.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City of Hartford. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the governing commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hartford finances.

Respectfully submitted,

Yemi Akinwale

City Manager

Linda Gray

City Treasurer

City of Hartford
List of Elected and Appointed Officials
June 30, 2005

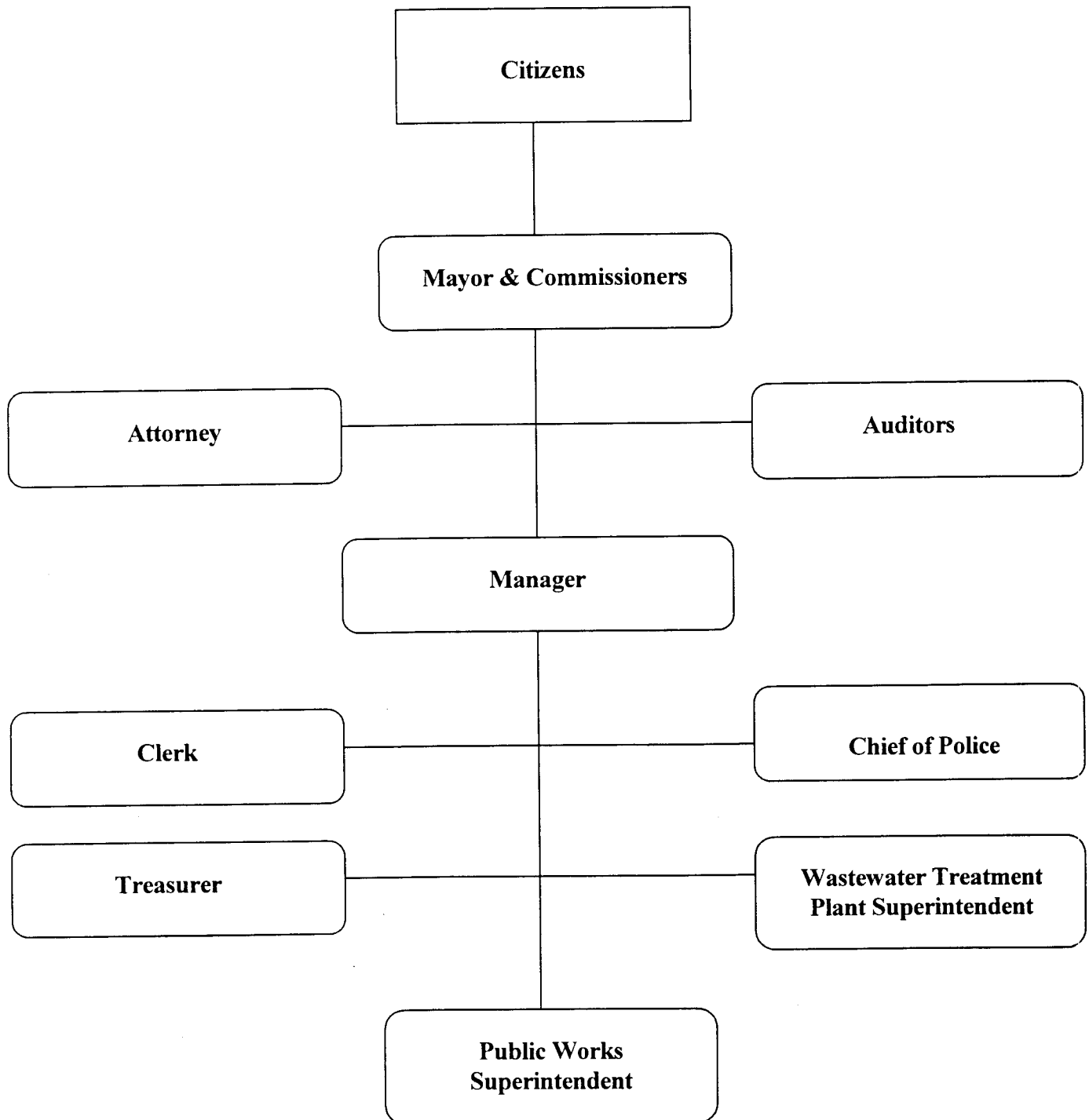
Elected Officials

Mayor	Theodore Johnson
Mayor Pro-Tem	Bill McLaughlin
City Commissioner	Debra Keyser
City Commissioner	Ron Burleson
City Commissioner	Leo Latus
City Commissioner	Rick Hall
City Commissioner	Mark Scholten

Appointed Officials

City Manager	Yemi Akinwale
City Clerk	Roxann Isbrecht
City Treasurer	Linda Gray
Chief of Police	Ramon Beltran
Public Works Superintendent	Dan Staunton
Wastewater Treatment Plant Superintendent	T.C. Melville

CITY OF HARTFORD ORGANIZATIONAL CHART



Management's Discussion and Analysis

As management of the City of Hartford, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I thru VII of this report.

Financial Highlights

- Increase of Capital Assets – The west municipal parking lot project on West Main Street when completed will add additional off-street parking. A new roof and roof insulation was installed on the Public Works Garage. Transfer switches, electrical breakers and holding tank were installed at the Iron Removal Plant. A new roof was also installed on the Wastewater Treatment Plant. A computer radio-read meter reading system with radio controlled meters was partially completed for utility billing purposes.
- Other Assets – A business licensing software module was added to our accounting system. A new computer network server was installed at City Hall. Two new computer stations, one complete with keyboard and monitor, and two new computer printers were purchased for the Clerk's and Treasurer's office. A salt spreader for the Public Works department, and new handguns with holsters and new radar units for the police department were also purchased.
- Internal analysis and correction of water and sewer accounts, billings, and collections – Before installing the computerize meter reading system, a complete analysis and correction of all water and sewer accounts was completed by the Clerk. The billing codes were reviewed, along with the ordinance, to insure that all accounts were being correctly billed. Collections procedures were reviewed and collection rates improved.
- Rising Health Insurance cost and the effect on personnel cost and changes - Rising health insurance cost has and will continue to affect personnel cost.
- Growth of Business and Residential property investment in the City - The growth in both business and residential property, increases revenue for taxes, the building department, and the Water and Sewer funds.
- Future Infrastructure projects – Future street construction on Haver and East Streets, Paras Hill Drive, and East Main Street are a consideration in the 2005-2006 fiscal years' budget, along with the completion of the computer radio-read meter system throughout the City, and repairs needed on the water tower.
- Loan Proceeds - The loan proceeds for the Water Improvement Project were received before the project started; this money was invested in 90-day Certificates of Deposit until the money is needed to pay for the project.
- Future Equipment Purchases – The 2005-2006 fiscal years' budget will be affected by planned purchases of a police vehicle, and two Department of Public Works vehicles.
- State-Shared Revenue - The decrease in state-shared revenue received from the State of Michigan will continue to affect our budget and revenue especially for the General Fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hartford's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The major governmental activities of the City include general government, public safety, highways and streets, and public works. The business-type activities of the City include water distribution and sewer operations.

The government-wide financial statements include not only the City itself, (known as the primary government) but also a Building Authority, which although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government. The Hartford Downtown Development Authority, although also legally separate, has been included as a discretely presented component unit.

The government-wide financial statements can be found on pages 2 and 3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Hartford maintains nine individual governmental funds. Of these nine funds, five are *special revenue funds* and three are *capital project funds*. *Special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. *Capital project funds* are used to account for the acquisition or construction of major capital facilities or infrastructure by a governmental unit. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Water Improvement Project, and Major Street Fund, which are considered major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Hartford adopts an annual appropriated budget for its general fund. A *budgetary comparison statement* has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4 thru 10 of this report.

Proprietary funds. The City of Hartford maintains only one type of proprietary fund, *enterprise funds*. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide for separate information for the water and sewer funds, both of which are considered to be major funds by the City.

The basic proprietary fund financial statements can be found on pages 11 thru 15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of these funds are *not* available to support the City's own programs. The City of Hartford collects taxes on behalf of other governments, and accounts for these tax collections in a fiduciary fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 thru 28 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented on page 30 and 31. Combining and individual fund statements and schedules can be found on pages 39 thru 42 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hartford, assets exceeded liabilities by \$ 3,953,689 at the close of the most recent fiscal year.

CITY OF HARTFORD NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 1,177,989	\$ 894,265	\$ 691,324	\$ 702,322	\$ 1,869,313	\$ 1,596,587
Capital assets	<u>1,483,105</u>	<u>1,408,468</u>	<u>2,701,697</u>	<u>2,697,036</u>	<u>4,184,802</u>	<u>4,105,504</u>
Total Assets	<u>\$ 2,661,094</u>	<u>\$ 2,302,733</u>	<u>\$ 3,393,021</u>	<u>\$ 3,399,358</u>	<u>\$ 6,054,115</u>	<u>\$ 5,702,091</u>
Long-term liabilities	\$ 1,153,149	\$ 1,062,905	\$ 779,103	\$ 858,103	\$ 1,932,252	\$ 1,921,008
Other liabilities	<u>108,040</u>	<u>20,923</u>	<u>60,134</u>	<u>18,135</u>	<u>168,174</u>	<u>39,058</u>
Total Liabilities	<u>\$ 1,261,189</u>	<u>\$ 1,083,828</u>	<u>\$ 839,237</u>	<u>\$ 876,238</u>	<u>\$ 2,100,426</u>	<u>\$ 1,960,066</u>
Net Assets:						
Invested in capital assets, net of related debt	\$ 299,041	\$ 373,194	\$ 1,875,088	\$ 1,833,427	\$ 2,174,129	\$ 2,206,621
Restricted assets	-	-	167,340	147,198	167,340	147,198
Unrestricted assets	<u>1,100,864</u>	<u>845,711</u>	<u>511,356</u>	<u>542,495</u>	<u>1,612,220</u>	<u>1,388,206</u>
Total Net Assets	<u>\$ 1,399,905</u>	<u>\$ 1,218,905</u>	<u>\$ 2,553,784</u>	<u>\$ 2,523,120</u>	<u>\$ 3,953,689</u>	<u>\$ 3,742,025</u>

Referencing the above chart, by far the largest portion of the City's net assets (54.9 percent or \$ 2,174,129) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure); less any related debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (4.2 percent or \$ 167,340) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (40.7 percent or \$ 1,612,220) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase of \$ 211,664 in total net assets for the 2004-2005 fiscal year. The capital assets, net of related debt, decreased by \$ 32,492 and restricted assets increased \$ 20,142. Unrestricted assets increased by \$ 224,014 this fiscal year. Unrestricted assets include cash and cash equivalents, investments, and receivables. We attribute this increase to the increased value of our unrestricted investments. The City's investments increased by \$ 270,143 this fiscal year.

CITY OF HARTFORD'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue						
Program Revenue:						
Charges for services	\$ 892	\$ 832	\$ 516,399	\$ 490,862	\$ 517,291	\$ 491,694
Operating grants and contributions	49,181	568,865	-	-	49,181	568,865
Capital grants and contributions	88,756	205,066	29,305	-	118,061	205,066
General Revenue:						
Taxes	356,251	333,233	47,102	45,648	403,353	378,881
Equipment rental	107,509	110,794	-	-	107,509	110,794
Administration fee	60,000	57,500	-	-	60,000	57,500
State shared revenue	509,846	-	-	-	509,846	-
Rental income	50,000	46,800	5,566	5,414	55,566	52,214
Interest	22,098	10,076	12,656	1,952	34,754	12,028
Other	57,970	34,421	8,345	100	66,315	34,521
Total Revenue	<u>\$ 1,302,503</u>	<u>\$ 1,367,587</u>	<u>\$ 619,373</u>	<u>\$ 543,976</u>	<u>\$ 1,921,876</u>	<u>\$ 1,911,563</u>
Expense						
General government	\$ 335,837	\$ 297,583	\$ -	\$ -	\$ 335,837	\$ 297,583
Highways and streets	125,274	98,422	-	-	125,274	98,422
Public works	180,893	197,551	-	-	180,893	197,551
Public safety	412,831	418,111	-	-	412,831	418,111
Interest on long-term debt	48,711	50,026	-	-	48,711	50,026
Other governmental activities	17,957	19,254	-	-	17,957	19,254
Sewer	-	-	316,669	299,187	316,669	299,187
Water	-	-	272,040	257,533	272,040	257,533
Total Expense	<u>\$ 1,121,503</u>	<u>\$ 1,080,947</u>	<u>\$ 588,709</u>	<u>\$ 556,720</u>	<u>\$ 1,710,212</u>	<u>\$ 1,637,667</u>
Change in Net Assets	\$ 181,000	\$ 286,640	\$ 30,664	\$ (12,744)	\$ 211,664	\$ 273,896
Net Assets, Beginning of Year	<u>1,218,905</u>	<u>932,265</u>	<u>2,523,120</u>	<u>2,535,864</u>	<u>3,742,025</u>	<u>3,468,129</u>
Net Assets, End of Year	<u>\$ 1,399,905</u>	<u>\$ 1,218,905</u>	<u>\$ 2,553,784</u>	<u>\$ 2,523,120</u>	<u>\$ 3,953,689</u>	<u>\$ 3,742,025</u>

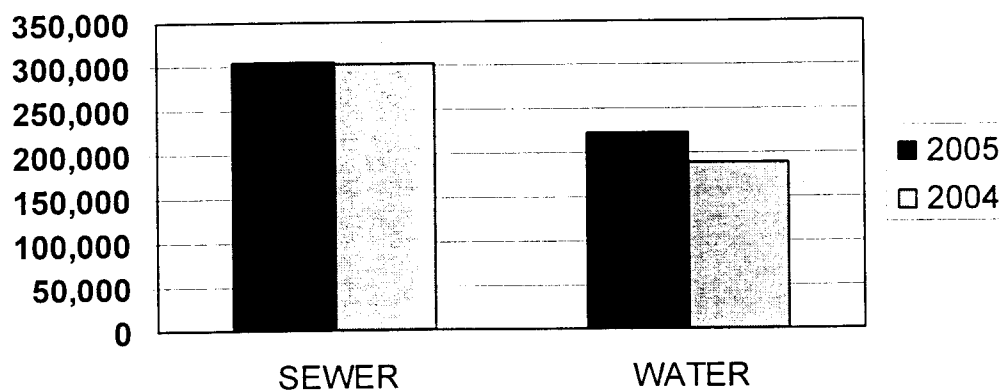
Governmental activities. Governmental activities increased the net assets by \$ 181,000. Note on the above chart that key elements of this increase are as follows:

- Total revenue in governmental activities decreased by \$ 65,084 in comparison with the prior fiscal year and total expense in governmental activities increased by \$ 40,556 from last fiscal year, resulting in a net decrease in net assets of \$ 105,640 in comparison with last fiscal year.
- The state shared revenue was moved from the operating grants (program revenue) to general revenue column.
- The largest decrease in revenue was for state-shared revenue, and equipment rental. All other areas showed an increase in revenue in comparison with the prior fiscal year.
- The only increase in expenses was for general government, and highway and streets. All other governmental activities showed a decrease in expense.

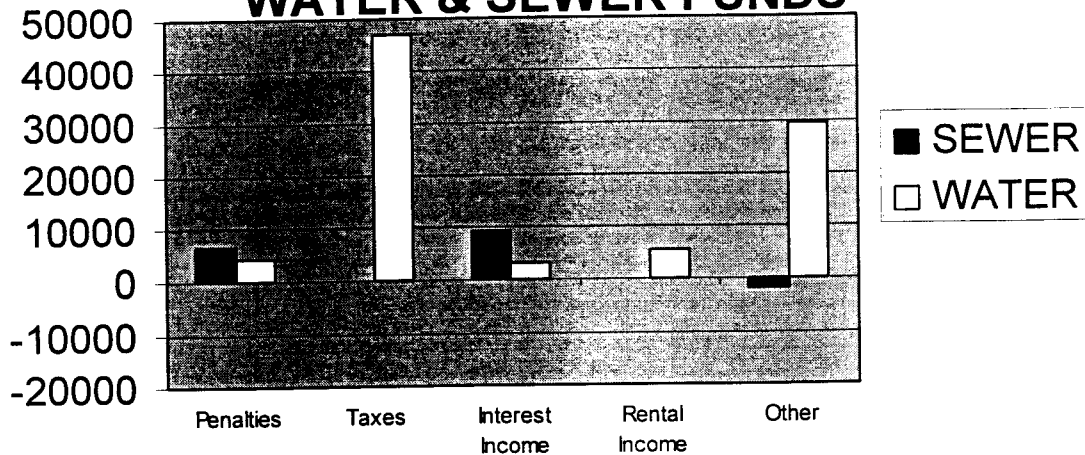
Business-type activities. Business-type (for water and sewer service) activities increased the City of Hartford's net assets by \$ 30,664. Note on the above chart that key elements of this increase are as follows:

- Total revenue in business-type revenue increased by \$ 75,397 in comparison with the prior fiscal year, total charges for service increased by \$ 25,537 this was generated in part from the examinations of all accounts, and corrections to the billing process.
- Total expenses increased by \$ 31,989 from last fiscal year, a large part of this expense was labor because of repairs and maintenance of existing assets, and installation of new water meters.
- Without the increase in revenue the water and sewer funds would have continued to show a decline in net assets, as in other fiscal years.

CHARGES FOR SERVICES WATER & SEWER FUND



OTHER REVENUE WATER & SEWER FUNDS



As you can see from the above charts, the utility billing charges (including penalties) increased by \$ 36,529 or 7 % when compared with last fiscal year's charges. This is the results of the City's commitment to increasing the efficiency, reliability, and profitability of the water and sewer fund. The accounts in the water and sewer billing system have all been reviewed, to insure correct billing and compliance with the water and sewer ordinances.

The water and sewer funds have income other than the charges billed for water and sewer bills. The water fund also collects taxes to pay for the bond issue on the iron removal plant, and also has rental income from the water tower, and both funds have investment income. The largest increase in other revenue (not including water and sewer charges for services), is the amount of interest income. The iron removal plant's account for bond payments is included in our investment pool and investment income increased by \$ 10,708 in comparison with last fiscal year's \$ 1,952 total.

The increase in charges for services, and interest from investment were the major factors showing a \$ 30,664 increase in net assets compared with last fiscal year's loss of \$ 12,744, or an overall increase of \$ 43,408 in net assets.

Financial Analysis of the Government's Funds

As noted earlier, the City of Hartford uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

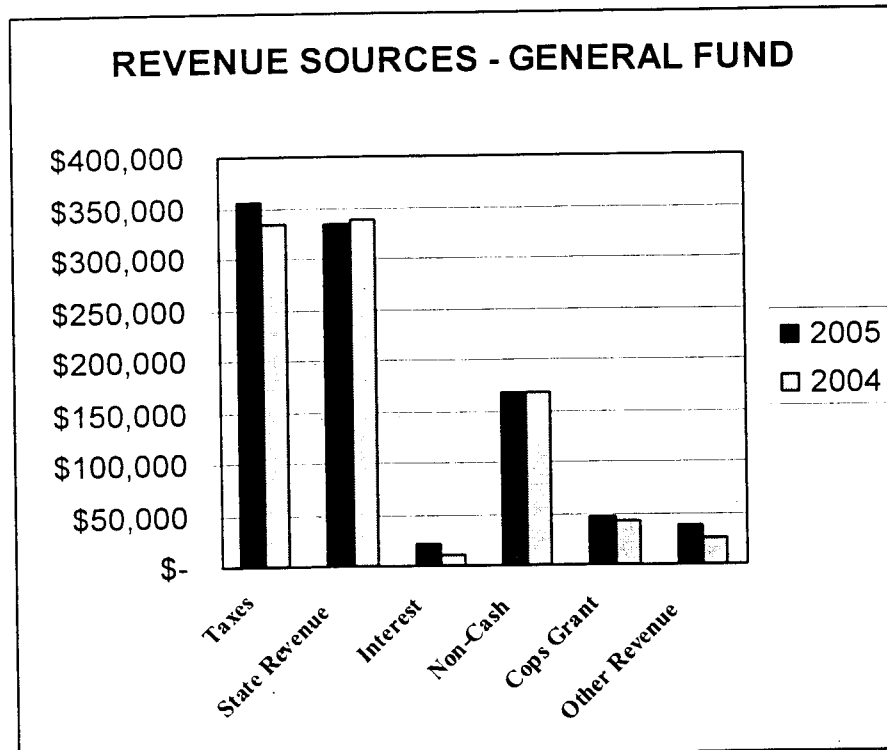
Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Hartford's governmental funds reported combined ending fund balances of \$ 1,146,292, an increase of 28.6% (\$ 255,155) in comparison with the prior year. 43.8 % of this amount was unreserved fund balance in the General Fund, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Hartford. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 502,041. As a measure of the general fund's liquidity it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 53.9% of total general fund expenditures, and 51.9% of total general fund expenditures plus transfers to other funds.

The fund balance of the City's general fund decreased by \$ 3,184 during the current fiscal year. Key factors in this decline are as follows:

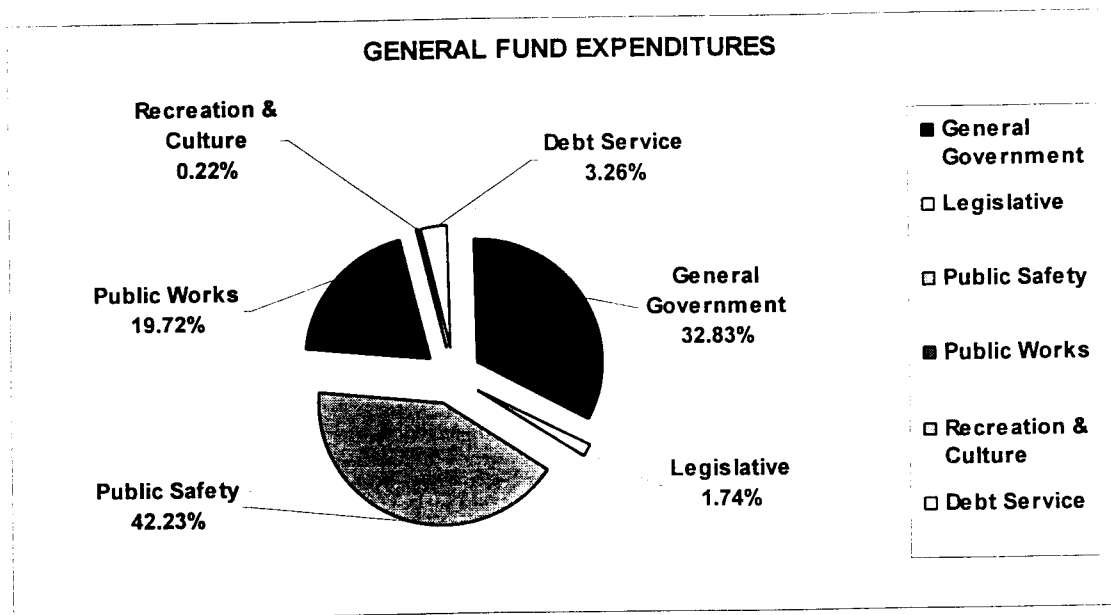
- Total revenue increased by \$ 44,689 in comparison with last fiscal year. All types of revenue, except for equipment rental and state-shared revenue showed an increase from last fiscal year.
- Total expenditures increased by \$ 31,073 in comparison with last fiscal year. The largest increase was in outlay for capital assets for general government, public safety and public works.
- The largest increases or decreases, in comparison with last fiscal year, are in other financing sources and uses. The transfers from other funds decreased from \$ 75,661 last fiscal year to \$ 35,000 this fiscal year.



- Although fund balance in the general fund decreased, the consumption of fund balance to pay current obligations decreased in comparison to last fiscal year. Last year's deficit of \$ 18,011 was reduced to only \$ 3,184, or reduced by 82.3 %.

As you can see on the above chart, the largest share of our general fund revenue comes from state shared revenue and from tax revenue. The amount of state shared revenue for this fiscal year is \$ 333,213 or 34.5% of our total revenue. The amount of tax revenue is \$ 356,257 or 37% of our total revenue. Also note that non-cash revenue which is equipment rental and administration fees is not actual revenue received, but a shift of revenue from other funds (local and major streets, water and sewer funds) for services rendered by the general fund.

The interest collected on our investments this fiscal year was \$ 21,560, an increase of \$ 11,540 or 115% in comparison to last fiscal year. Both interest income and state shared revenue are dependent upon the economic environment in which the city operates.



Since the general fund is the chief operating fund, it has the largest amount of expenditures of any governmental fund. Please note on page 6 of the financial report, that the total expenditures for the general fund is \$ 931,972 or 75 % of all governmental funds. The expenditures are divided into several categories.

The general government category includes all general services of the city such as the clerk's, treasurers' and assessing offices; and the administration of the city including the city manager's office. The legislative category includes the city commission and the mayor's expenditures. Public works category is the general maintenance of city property; and the public safety category includes expenditures for the city's police department, zoning and ordinance enforcement; with the largest portion being the city's police department.

Recreation and culture, and public safety had a decrease in expenditures in comparison to last fiscal year. Public safety decreased by \$ 2,136. All other categories of expenditures increased in comparison to last fiscal year.

General government expenditures increased, in comparison to last year, by 3.4% (\$ 31,073). This increase was spread among many different departments.

While the public safety category decreased by \$ 2,136 in comparison to last fiscal year, public safety has the largest expenditures (42.23 %) in the general fund. The total expenditures for public safety for this fiscal year is \$ 393,597; this more than consumes all of the tax revenue for the fiscal year of \$ 356,257. Since public safety is such a large part of the general fund expenditures, it consumes \$.49 cents for every dollar of revenue received (not including non-cash revenue).

Proprietary funds. The City of Hartford's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail, this information may be found on pages 11 to page 15 in this report.

Unrestricted net assets of the water and sewer funds at the end of the year amounted to \$ 678,696. The total increase or decline in net assets for both funds was \$ 33,979 and (\$ 3,315), respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor. The actual revenue received was \$ 43,088 more than the final budget, and \$ 3,787 more in appropriations was spent, including debt service and transfers, and can be briefly summarized as follows:

- State-shared revenue and licenses and permits revenue (enforcement of the rental ordinance and inspections) increased more than the budgeted amounts.
- There was an increase in general government expenditures resulting in an increase of \$ 3,887 in general fund expenditures.

The City started this fiscal year with a budgeted deficit of \$ 39,829 in the General Fund. During the year unanticipated expenditures were required. The City replaced two roofs on City owned buildings because of leak problems, the computer network server at City Hall had to be replaced along with related computer hardware, and major repairs had to be made at the Iron Removal Plant.

Because of these expenditures, the budget was amended, and a \$ 42,485 deficit was projected. Budgetary controls were enacted to control the spending in all departments. The City is happy to report that the deficit was reduced to \$ 3,184 before the end of the fiscal year. This reduction in the projected deficit balance of the General Fund was created mainly by the increase in revenue. On page 9 of this report, the original budget, the final budget, and actual amounts for the General Fund are given and compared.

Capital Asset and Debt Administration

CITY OF HARTFORD'S OUTSTANDING DEBT

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 939,000	\$ 957,000	\$ 280,000	\$ 295,000	\$ 1,219,000	\$ 1,252,000
Revenue bonds	-	-	540,000	562,000	540,000	562,000
Annexation	12,496	13,884	-	-	12,496	13,884
Installment loans	232,570	58,390	-	-	232,570	58,390
Compensated absences	33,631	33,631	1,103	1,103	34,734	34,734
Total	<u>\$ 1,217,697</u>	<u>\$ 1,062,905</u>	<u>\$ 821,103</u>	<u>\$ 858,103</u>	<u>\$ 2,038,800</u>	<u>\$ 1,921,008</u>

Long-term debt. At the end of the current fiscal year, the City of Hartford had total bonded debt outstanding of \$ 939,000. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), installment loans, and annexation debt. The City's total debt increased by \$ 117,792 or 6.3% during the current fiscal year. One key factor in this increase was the \$ 200,000 loan from Van Buren County for the Water Improvement Project. This project was not started in the 2004-2005 fiscal year. The money received was invested in Certificates of Deposits.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Hartford is \$3,566,560, which is significantly in excess of the City's outstanding general obligation debt.

Long-term debt and capital assets are not recorded as part of the *Governmental Funds* balance sheet as presented on page 4 of this report, but are included in the *Statement of Net Assets* found on page 2 of this report. On page 5 of this report the reconciliation of the balance sheet of *Governmental Funds* to the *Statement of Net Assets* is found. This reconciliation shows the effect of capital assets and long-term debt or liabilities on the balance sheets of the *Governmental Funds*.

Additional information on the City's long-term debt can be found in note 5 on pages 24 , 25 and 26 of this report.

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2005 amounts to \$ 2,174,129 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, office equipment, vehicles, machinery and equipment, utility systems, and other non-depreciable capital assets. The total decrease in the City's investment in capital assets for the current fiscal year was 1.4% (a decrease of 19.8% for governmental activities and an increase of 2.27% for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Many capital assets projects remain unfinished, including the new municipal parking lot project, and the computer radio-read meter reading system. These projects will be finished in the next fiscal year.
- The loan proceeds for the Water Improvement Project were received before the project started, and the money invested into Certificates of Deposit until needed. This shows on our financial information as new debt without a related addition of capital assets, resulting from a loss in capital assets, net of related debt.

**CITY OF HARTFORD'S CAPITAL ASSETS
(Net of Depreciation) and (Net of Related Debt)**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 118,868	\$ 85,483	\$ 149,333	\$ 149,333	\$ 268,201	\$ 234,816
Land improvements	251,909	-	-	574,684	251,909	574,684
Buildings and improvements	820,095	813,524	1,026,415	465,115	1,846,510	1,278,639
Office equipment	40,412	39,044	-	-	40,412	39,044
Vehicles	25,421	35,272	-	-	25,421	35,272
Machinery and equipment	159,799	159,243	176,659	121,723	336,458	280,966
Infrastructure	66,601	-	1,342,681	-	1,409,282	-
Utility systems	-	-	-	1,379,572	-	1,379,572
Other nondepreciable	-	269,902	-	-	-	269,902
Total	\$ 1,483,105	\$ 1,402,468	\$ 2,695,088	\$ 2,690,427	\$ 4,178,193	\$ 4,092,895
Related Debt	<u>(1,184,066)</u>	<u>(1,029,274)</u>	<u>(820,000)</u>	<u>(857,000)</u>	<u>(2,004,066)</u>	<u>(1,886,274)</u>
Net of Related Debt	<u>\$ 299,039</u>	<u>\$ 373,194</u>	<u>\$ 1,875,088</u>	<u>\$ 1,833,427</u>	<u>\$ 2,174,127</u>	<u>\$ 2,206,621</u>

As you can see on the above chart, capital assets for the governmental activities increased by \$ 80,637 in comparison with last fiscal year, but the long-term debt increased by \$ 154,792 leaving a net decrease in capital assets, after related debt, of \$ 74,155. This decrease in capital assets for governmental activities was mainly due to the \$ 200,000 loan for the Water Improvement Project, with no related capital asset finished before the end of the fiscal year.

The business activities' capital asset decreased by \$ 4,661, and related debt also decreased by \$ 37,000 leaving a net gain in business activities' capital assets of \$ 41,661.

Additional information on the City's capital assets can be found in note 4 - Capital Assets on page 23 of this report.

Economic Factors and Next Year's Budgets and Rates

The economy in the State of Michigan has been poor for the 2004-2005 fiscal year. Michigan has a high unemployment rate, as compared to the rest of the states. This poor economic climate for the state of Michigan has caused further cuts in state-shared revenue for the City, and other local units of government. The continued increase in prices for gas is also a major concern for the City.

Health care costs also continue to rise resulting in higher fringe benefit expense for employers. The City's health care cost for employees has risen and is expected to rise in the next fiscal year. The labor intensive departments, such as the City's police department, will be most affected by the higher health care costs.

All of these factors were considered in preparing the City's budget for the 2005-2006 fiscal year, along with the expected capital asset projects and purchases the City has planned.

During the current fiscal year, unreserved fund balance in the General Fund decreased by \$ 3,184, the fund balance at the end of the 2004-2005 fiscal year is \$ 505,225. The City has appropriated \$ 25,909 of this amount for spending in the 2005-2006 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2005-2006 fiscal year.

The City's management is always looking for ways to cut expenditures, such as employee health care cost, or reducing the amount of gas used, and keeping control of unplanned purchases. But cost control is only one area of the budget. For the City to be financial sound, it must also look for ways to increase revenue.

Information on the variance between budget and actual amounts of revenue and expenditures for this fiscal year for the General Fund can be found on pages 32 to 38 in this report.

Requests for Information

This financial report is designed to provide a general overview of the City of Hartford's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, City of Hartford, 19 West Main Street, Hartford, Michigan, 49057.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 26, 2005

INDEPENDENT AUDITOR'S REPORT

City Commission
City of Hartford
Hartford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hartford, State of Michigan's, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information on pages X through XXII, is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartford, State of Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gerbel & Company, P.C.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

CITY OF HARTFORD
Statement of Net Assets
For the Year Ended June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 272,323	\$ 121,725	\$ 394,048	\$ 2,442
Investments	773,681	225,700	999,381	-
Receivables	318	176,259	176,577	-
Due from other governmental units	130,532	-	130,532	-
Due from fiduciary fund	1,135	-	1,135	-
Inventories	-	300	300	-
Restricted assets:				
Cash and cash equivalents	-	74,530	74,530	-
Investments	-	92,810	92,810	-
Capital assets (net of accumulated depreciation):				
Land	118,868	149,333	268,201	-
Land improvements	251,909	-	251,909	-
Buildings and improvements	820,095	1,026,415	1,846,510	-
Office equipment	40,412	-	40,412	-
Vehicles	25,421	-	25,421	-
Machinery and equipment	159,799	176,659	336,458	-
Infrastructure	66,601	1,342,681	1,409,282	-
Other assets:				
Sewer bond cost, net of accumulated amortization	-	6,609	6,609	-
TOTAL ASSETS	\$ 2,661,094	\$ 3,393,021	\$ 6,054,115	\$ 2,442

The accompanying notes are an integral part of these financial statements.

	Primary Government			Component Units
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Liabilities				
Current Liabilities:				
Accounts payable	\$ 20,597	\$ -	\$ 20,597	\$ -
Due within one year	64,548	42,000	106,548	-
Wages payable	7,001	586	7,587	-
Payroll withholdings	4,099	-	4,099	-
Accrued interest payable	11,795	15,426	27,221	-
Unamortized bond premium	-	2,122	2,122	-
Noncurrent Liabilities:				
Long-term debt due in more than one year	1,119,518	778,000	1,897,518	-
Accumulated leave pay	33,631	1,103	34,734	-
Total Liabilities	<u>\$ 1,261,189</u>	<u>\$ 839,237</u>	<u>\$ 2,100,426</u>	<u>\$ -</u>
Net Assets				
Invested in capital assets, net of related debt	\$ 299,039	\$ 1,875,088	\$ 2,174,127	\$ -
Restricted for debt service	-	167,340	167,340	-
Unrestricted	<u>1,100,866</u>	<u>511,356</u>	<u>1,612,222</u>	<u>2,442</u>
Total Net Assets	<u>\$ 1,399,905</u>	<u>\$ 2,553,784</u>	<u>\$ 3,953,689</u>	<u>\$ 2,442</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,661,094</u>	<u>\$ 3,393,021</u>	<u>\$ 6,054,115</u>	<u>\$ 2,442</u>

CITY OF HARTFORD
Statement of Activities
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 335,837	\$ 634	\$ 1,667	\$ -
Highways and streets	125,274	-	-	80,000
Legislative	15,926	-	-	-
Public safety	412,831	258	47,514	8,756
Public works	180,893	-	-	-
Recreation and cultural	2,031	-	-	-
Interest on long-term debt	48,711	-	-	-
Total Governmental Activities	<u>\$ 1,121,503</u>	<u>\$ 892</u>	<u>\$ 49,181</u>	<u>\$ 88,756</u>
Business-type Activities:				
Sewer fund	\$ 316,669	\$ 299,142	\$ -	\$ -
Water fund	272,040	217,257	-	29,305
Total Business-type Activities	<u>\$ 588,709</u>	<u>\$ 516,399</u>	<u>\$ -</u>	<u>\$ 29,305</u>
Total Primary Government	<u>\$ 1,710,212</u>	<u>\$ 517,291</u>	<u>\$ 49,181</u>	<u>\$ 118,061</u>
Component Units:				
Downtown Development Authority	<u>\$ 9,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Component Units	<u>\$ 9,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes
Tax administration fee
State revenue
Equipment rental
Administrative fee
Interest
Licenses and permits
Rental income
Penalties
Proceeds from sales
Gain (loss) on sale of assets
Transfers
Other

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (333,536)	\$ -	\$ (333,536)	\$ -
(45,274)	-	(45,274)	-
(15,926)	-	(15,926)	-
(356,303)	-	(356,303)	-
(180,893)	-	(180,893)	-
(2,031)	-	(2,031)	-
(48,711)	-	(48,711)	-
<u>\$ (982,674)</u>	<u>\$ -</u>	<u>\$ (982,674)</u>	<u>\$ -</u>
\$ -	\$ (17,527)	\$ (17,527)	\$ -
-	(25,478)	(25,478)	-
<u>\$ -</u>	<u>\$ (43,005)</u>	<u>\$ (43,005)</u>	<u>\$ -</u>
<u>\$ (982,674)</u>	<u>\$ (43,005)</u>	<u>\$ (1,025,679)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (9,826)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,826)</u>
\$ 343,611	\$ 47,102	\$ 390,713	\$ 5,847
12,640	-	12,640	-
509,846	-	509,846	-
107,509	-	107,509	-
60,000	-	60,000	-
22,098	12,656	34,754	16
35,712	-	35,712	-
50,000	5,566	55,566	-
-	10,992	10,992	-
462	-	462	-
-	(1,777)	(1,777)	-
995	(995)	-	-
<u>20,801</u>	<u>125</u>	<u>20,926</u>	<u>-</u>
<u>\$ 1,163,674</u>	<u>\$ 73,669</u>	<u>\$ 1,237,343</u>	<u>\$ 5,863</u>
\$ 181,000	\$ 30,664	\$ 211,664	\$ (3,963)
<u>1,218,905</u>	<u>2,523,120</u>	<u>3,742,025</u>	<u>6,405</u>
<u>\$ 1,399,905</u>	<u>\$ 2,553,784</u>	<u>\$ 3,953,689</u>	<u>\$ 2,442</u>

**CITY OF HARTFORD
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2005**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Water Improvement Fund</u>
Assets			
Current Assets:			
Cash	\$ (179,132)	\$ 284,766	\$ 471
Other receivables	318	-	-
Investments	573,681	-	200,000
Due from other governments	117,089	9,915	-
Due from other funds	1,135	-	-
Due from fiduciary fund	50	-	-
	<hr/>	<hr/>	<hr/>
Total Current Assets	\$ 513,141	\$ 294,681	\$ 200,471
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 513,141	\$ 294,681	\$ 200,471
	<hr/>	<hr/>	<hr/>
Liabilities and Fund Balances			
Current Liabilities:			
Accounts payable	\$ -	\$ -	\$ 17,752
Payroll liabilities	11,100	-	-
Due to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	\$ 11,100	\$ -	\$ 17,752
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 11,100	\$ -	\$ 17,752
	<hr/>	<hr/>	<hr/>
Fund Balances:			
Unreserved, reported in			
General Fund	\$ 502,041	\$ -	\$ -
Special Revenue	-	294,681	-
Capital Projects	-	-	182,719
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ 502,041	\$ 294,681	\$ 182,719
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 513,141	\$ 294,681	\$ 200,471
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 166,218	\$ 272,323
-	318
-	773,681
3,528	130,532
-	1,135
-	50
<u>\$ 169,746</u>	<u>\$ 1,178,039</u>
<u>\$ 169,746</u>	<u>\$ 1,178,039</u>
\$ 2,845	\$ 20,597
-	11,100
50	50
<u>\$ 2,895</u>	<u>\$ 31,747</u>
<u>\$ 2,895</u>	<u>\$ 31,747</u>
\$ -	\$ 502,041
97,529	392,210
69,322	252,041
<u>\$ 166,851</u>	<u>\$ 1,146,292</u>
<u>\$ 169,746</u>	<u>\$ 1,178,039</u>

CITY OF HARTFORD
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
For the Year Ended June 30, 2005

Fund balances of governmental funds	\$ 1,146,292
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the Government-wide statements and depreciated over their useful lives.	1,483,105
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,217,697)
Accrued interest is not recorded as a liability in governmental funds. Interest expense is recognized in the year it is paid.	<u>(11,795)</u>
Net assets of governmental activities	<u>\$ 1,399,905</u>

**CITY OF HARTFORD
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2005**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Water Improvement Fund</u>
Revenues			
Taxes	\$ 343,617	\$ -	\$ -
Tax administration fee	12,640	-	-
Licenses and permits	19,204	-	-
Equipment rental	107,509	-	-
State revenue	333,213	131,397	-
Federal grant	47,514	-	-
Rent revenue	-	-	-
Charges for services	9,670	-	-
Fines and forfeits	1,870	-	-
Interest	21,560	-	505
Administrative	60,000	-	-
Other	6,991	218	-
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 963,788	\$ 131,615	\$ 505
	<hr/>	<hr/>	<hr/>
Expenditures			
Legislative	\$ 16,180	\$ -	\$ -
General government	305,990	-	-
Public safety	393,597	-	-
Highways and streets	-	67,627	-
Public works	183,763	-	18,781
Recreation and culture	2,031	-	-
Debt service:			
Principal	28,196	10,000	-
Interest	2,215	8,790	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 931,972	\$ 86,417	\$ 18,781
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 31,816	\$ 45,198	\$ (18,276)
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 343,617
-	12,640
16,508	35,712
-	107,509
46,903	511,513
80,000	127,514
50,000	50,000
-	9,670
-	1,870
33	22,098
-	60,000
<u>12,162</u>	<u>19,371</u>

\$ 205,606	\$ 1,301,514
------------	--------------

\$ -	\$ 16,180
-	305,990
15,980	409,577
138,928	206,555
10,559	213,103
-	2,031
8,000	46,196
<u>36,717</u>	<u>47,722</u>

\$ 210,184	\$ 1,247,354
------------	--------------

\$ (4,578)	\$ 54,160
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**CITY OF HARTFORD
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Continued
For the Year Ended June 30, 2005**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Water Improvement Fund</u>
Other Financing Sources (Uses):			
Proceeds from loans	\$ -	\$ -	\$ 200,000
Operating transfers in	-	11,139	995
Operating transfers out	<u>(35,000)</u>	<u>(20,119)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ (35,000)</u>	<u>\$ (8,980)</u>	<u>\$ 200,995</u>
Net Change in Fund Balances	\$ (3,184)	\$ 36,218	\$ 182,719
Fund Balance - July 1, 2004	<u>505,225</u>	<u>258,463</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2005	<u>\$ 502,041</u>	<u>\$ 294,681</u>	<u>\$ 182,719</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ -	\$ 200,000
55,119	67,253
<u>(11,139)</u>	<u>(66,258)</u>
 \$ 43,980	 \$ 200,995
 \$ 39,402	 \$ 255,155
<u>127,449</u>	<u>891,137</u>
 <u>\$ 166,851</u>	 <u>\$ 1,146,292</u>

CITY OF HARTFORD
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds	\$ 255,155
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the Government-wide statements and depreciated over their useful lives. This is the amount by which capital outlays exceeded depreciation in the current period.	80,637
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Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.	45,208
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The issuance of debt is recorded as a financing source in the governmental funds, thereby increasing fund balance. In the statement of net assets it is recorded as a liability.	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">(200,000)</div>
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Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 181,000</div>
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**CITY OF HARTFORD
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes	\$ 339,000	\$ 344,500	\$ 343,617	\$ (883)
Tax administration fee	10,500	11,000	12,640	1,640
Licenses and permits	10,000	10,000	19,204	9,204
Equipment rental	125,000	105,000	107,509	2,509
State revenue	312,000	312,000	333,213	21,213
Federal grant	43,989	47,000	47,514	514
Charges for services	-	8,700	9,670	970
Fines and forfeits	500	500	1,870	1,370
Interest	30,000	21,500	21,560	60
Administration fee - other funds	60,000	60,000	60,000	-
Other	-	500	6,991	6,491
Total Revenues	\$ 930,989	\$ 920,700	\$ 963,788	\$ 43,088
Expenditures:				
Current:				
Legislative	\$ 17,000	\$ 17,000	\$ 16,180	\$ 820
General government	291,785	291,985	305,990	(14,005)
Public safety	383,033	397,500	393,597	3,903
Public works	206,900	186,600	183,763	2,837
Recreation and cultural	4,300	2,300	2,031	269
Debt service	32,800	32,800	30,411	2,389
Total Expenditures	\$ 935,818	\$ 928,185	\$ 931,972	\$ (3,787)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (4,829)	\$ (7,485)	\$ 31,816	\$ 39,301
Other Financial Sources (Uses):				
Operating transfers out	(35,000)	(35,000)	(35,000)	-
Net Change in Fund Balances	\$ (39,829)	\$ (42,485)	\$ (3,184)	\$ 39,301
Fund Balances - July 1, 2004	505,225	505,225	505,225	-
FUND BALANCES - JUNE 30, 2005	\$ 465,396	\$ 462,740	\$ 502,041	\$ 39,301

The accompanying notes are an integral part of these financial statements.

**CITY OF HARTFORD
MAJOR STREET FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
State revenues	\$ 130,000	\$ 130,000	\$ 131,397	\$ 1,397
Other	-	-	218	218
Total Revenues	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ 131,615</u>	<u>\$ 1,615</u>
Expenditures:				
Routine maintenance	\$ 59,000	\$ 32,800	\$ 23,708	\$ 9,092
Traffic services	10,000	10,000	16,415	(6,415)
Street construction	3,000	3,000	14,048	(11,048)
Nonmotorized	2,000	2,000	-	2,000
Winter maintenance	20,000	20,000	8,127	11,873
Professional fees	5,400	5,400	5,328	72
Debt service:				
Principal	16,000	16,000	10,000	6,000
Interest	10,800	10,800	8,790	2,010
Total Expenditures	<u>\$ 126,200</u>	<u>\$ 100,000</u>	<u>\$ 86,416</u>	<u>\$ 13,584</u>
Excess of Revenues Over Expenditures	<u>\$ 3,800</u>	<u>\$ 30,000</u>	<u>\$ 45,199</u>	<u>\$ 15,199</u>
Other Financing Sources (Uses):				
Operating transfers out	-	(8,981)	(8,981)	-
Net Change in Fund Balance	<u>\$ 3,800</u>	<u>\$ 21,019</u>	<u>\$ 36,218</u>	<u>\$ 15,199</u>
Fund Balances - July 1, 2004	<u>258,463</u>	<u>258,463</u>	<u>258,463</u>	<u>-</u>
FUND BALANCES - JUNE 30, 2005	<u>\$ 262,263</u>	<u>\$ 279,482</u>	<u>\$ 294,681</u>	<u>\$ 15,199</u>

**CITY OF HARTFORD
PROPRIETARY FUNDS
Statement of Net Assets
June 30, 2005**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets			
Current Assets			
Cash	\$ 130,132	\$ (8,407)	\$ 121,725
Accounts receivable	67,388	108,871	176,259
Investments	-	225,700	225,700
Sewer bond cost, net of \$2,028 accumulated amortization	-	6,609	6,609
Inventory	<u>300</u>	<u>-</u>	<u>300</u>
Total Current Assets	<u>\$ 197,820</u>	<u>\$ 332,773</u>	<u>\$ 530,593</u>
Restricted Assets			
Cash and cash equivalents	\$ 74,530	\$ -	\$ 74,530
Investments	<u>92,810</u>	<u>-</u>	<u>92,810</u>
Total Restricted Assets	<u>\$ 167,340</u>	<u>\$ -</u>	<u>\$ 167,340</u>
Property, Plant, and Equipment			
Land and improvements	\$ 8,620	\$ 140,713	\$ 149,333
Building and improvements	837,477	1,003,907	1,841,384
Equipment	149,651	892,333	1,041,984
Mains	<u>796,468</u>	<u>1,275,653</u>	<u>2,072,121</u>
Total Property, Plant, and Equipment	<u>\$ 1,792,216</u>	<u>\$ 3,312,606</u>	<u>\$ 5,104,822</u>
Less: Accumulated Depreciation	<u>(672,546)</u>	<u>(1,737,188)</u>	<u>(2,409,734)</u>
Net Property, Plant, and Equipment	<u>\$ 1,119,670</u>	<u>\$ 1,575,418</u>	<u>\$ 2,695,088</u>
TOTAL ASSETS	<u>\$ 1,484,830</u>	<u>\$ 1,908,191</u>	<u>\$ 3,393,021</u>

The accompanying notes are an integral part of these financial statements.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Liabilities and Fund Equity			
Current Liabilities			
Accrued wages	\$ -	\$ 586	\$ 586
Accrued interest	11,275	4,151	15,426
Unamortized bond premium	2,122	-	2,122
Accumulated vacation and sick pay	-	1,103	1,103
Current portion of long-term debt	<u>35,250</u>	<u>6,750</u>	<u>42,000</u>
 Total Current Liabilities	 \$ 48,647	 \$ 12,590	 \$ 61,237
 Long-term liabilities (net of current portion)			
Long-term debt	<u>618,250</u>	<u>159,750</u>	<u>778,000</u>
 Total Liabilities	 <u>\$ 666,897</u>	 <u>\$ 172,340</u>	 <u>\$ 839,237</u>
 Net Assets			
Invested in capital assets, net of related debt	\$ 466,170	\$ 1,408,918	\$ 1,875,088
Unrestricted	<u>351,763</u>	<u>326,933</u>	<u>678,696</u>
 Total Net Assets	 <u>\$ 817,933</u>	 <u>\$ 1,735,851</u>	 <u>\$ 2,553,784</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,484,830</u>	 <u>\$ 1,908,191</u>	 <u>\$ 3,393,021</u>

**CITY OF HARTFORD
PROPRIETARY FUNDS
Combining Statement of Revenues, Expenses and
Changes in Net Assets
For the Year Ended June 30, 2005**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 217,257	\$ 299,142	\$ 516,399
Penalties	4,563	6,564	11,127
Property taxes	46,967	-	46,967
Water tower rental	5,566	-	5,566
Miscellaneous revenue	<u>-</u>	<u>125</u>	<u>125</u>
Total Operating Revenues	<u>\$ 274,353</u>	<u>\$ 305,831</u>	<u>\$ 580,184</u>
Operating Expenses			
Salaries and wages	\$ 37,476	\$ 100,368	\$ 137,844
Payroll taxes	-	5,340	5,340
Fringe benefits	669	9,512	10,181
Supplies	13,417	12,938	26,355
Postage	1,101	807	1,908
Contractual services	6,484	24,893	31,377
Professional fees	1,000	2,000	3,000
Telephone	453	2,241	2,694
Utilities	11,555	14,199	25,754
Repairs and maintenance	14,388	14,357	28,745
Rental	52,506	33,752	86,258
Insurance and bonds	2,548	4,391	6,939
Capital outlay	9,152	-	9,152
Depreciation and amortization	42,169	67,032	109,201
Administrative fee	40,000	14,500	54,500
Miscellaneous	<u>1,118</u>	<u>1,624</u>	<u>2,742</u>
Total Operating Expenses	<u>\$ 234,036</u>	<u>\$ 307,954</u>	<u>\$ 541,990</u>
Operating Income (Loss)	<u>\$ 40,317</u>	<u>\$ (2,123)</u>	<u>\$ 38,194</u>

CITY OF HARTFORD
 PROPRIETARY FUNDS
 Combining Statement of Revenues, Expenses and
 Changes in Net Assets - Continued
 For the Year Ended June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Nonoperating Revenue (Expense)			
Interest income	\$ 3,358	\$ 9,302	\$ 12,660
Interest expense	(38,006)	(8,717)	(46,723)
Capital grant	29,305	-	29,305
Loss on sale of asset	-	(1,777)	(1,777)
Operating transfer out	(995)	-	(995)
	<u> </u>	<u> </u>	<u> </u>
Total Nonoperating Revenue (Expense)	\$ (6,338)	\$ (1,192)	\$ (7,530)
	<u> </u>	<u> </u>	<u> </u>
Change in Net Assets	\$ 33,979	\$ (3,315)	\$ 30,664
	<u> </u>	<u> </u>	<u> </u>
Total Net Assets - July 1, 2004	783,954	1,739,166	2,523,120
	<u> </u>	<u> </u>	<u> </u>
TOTAL NET ASSETS - JUNE 30, 2005	\$ 817,933	\$ 1,735,851	\$ 2,553,784
	<u> </u>	<u> </u>	<u> </u>

**CITY OF HARTFORD
PROPRIETARY FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2005**

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 270,951	\$ 296,110	\$ 567,061
Payments to employees	(38,145)	(115,220)	(153,365)
Payments for interfund services	(83,354)	(48,252)	(131,606)
Payments to suppliers	(70,368)	(77,450)	(147,818)
Net cash provided by operating activities	<u>\$ 79,084</u>	<u>\$ 55,188</u>	<u>\$ 134,272</u>
Cash Flows From Noncapital Financing Activities:			
Transfer to other funds	<u>\$ (995)</u>	<u>\$ -</u>	<u>\$ (995)</u>
Net cash used by noncapital financing activities	<u>\$ (995)</u>	<u>\$ -</u>	<u>\$ (995)</u>
Cash Flows From Capital and Related Financing Activities:			
Principal paid	\$ (30,250)	\$ (6,750)	\$ (37,000)
Interest paid on debt	(38,006)	(8,717)	(46,723)
Purchase of fixed assets	(60,208)	(55,432)	(115,640)
Proceeds from capital grant	<u>29,305</u>	<u>-</u>	<u>29,305</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (99,159)</u>	<u>\$ (70,899)</u>	<u>\$ (170,058)</u>
Cash Flows From Investing Activities:			
Investment purchased	\$ (26,905)	\$ (49,986)	\$ (76,891)
Investment from interest income	<u>3,358</u>	<u>9,302</u>	<u>12,660</u>
Net cash provided (used) by investing activities	<u>\$ (23,547)</u>	<u>\$ (40,684)</u>	<u>\$ (64,231)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (44,617)</u>	<u>\$ (56,395)</u>	<u>\$ (101,012)</u>
Balance - July 1, 2004	<u>249,279</u>	<u>47,988</u>	<u>297,267</u>
BALANCE - JUNE 30, 2005	<u>\$ 204,662</u>	<u>\$ (8,407)</u>	<u>\$ 196,255</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HARTFORD
PROPRIETARY FUNDS
Combining Statement of Cash Flows - Continued
For the Year Ended June 30, 2005**

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 40,317	\$ (2,123)	\$ 38,194
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expenses	\$ 42,169	\$ 67,032	\$ 109,201
(Increase) decrease in:			
Receivables	(3,402)	(9,721)	(13,123)
Total adjustments	\$ 38,767	\$ 57,311	\$ 96,078
Net cash provided (used) by operating activities	\$ 79,084	\$ 55,188	\$ 134,272

**CITY OF HARTFORD
FIDUCIARY FUNDS
Statement of Net Assets
June 30, 2005**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 6,173
TOTAL ASSETS	<u>\$ 6,173</u>
Liabilities	
Accounts payable	\$ 266
Due to other governments	4,772
Due to other funds	<u>1,135</u>
TOTAL LIABILITIES	<u>\$ 6,173</u>

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hartford operates under a council-manager form of government. Services provided for its citizens include: public safety, water and sewer services, streets, planning and zoning, and general administrative services.

The accounting methods and procedures adopted by the City of Hartford, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below.

A. Scope of Reporting Entity

In evaluating how to define the City's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. All funds and account groups under direct control of the City of Hartford are included in this report.

The City has two component units, the Downtown Development Authority and the City of Hartford Building Authority. Based upon the above criteria the Downtown Development Authority has been included in the City's financial statements as a discretely presented component unit, and the City of Hartford Building Authority has been presented as a blended component unit and its data has been blended with data from other special revenue funds.

The Hartford Fire Board is operated as a joint venture with the Township of Hartford. The organizational agreement provides for a joint exercise of power and the establishment of a separate administrative entity. Members of the Hartford Fire Board are selected by the City Commission and the Hartford Township Board with other members selected by other appointees. After the operating budget has been prepared and approved by the City and the Township, each contributes its share to the budget. The City has a 50% equity claim to Fire Board property and equipment upon liquidation.

The City of Hartford and Hartford Township entered into installment purchase contracts with National City Bank for the purchase of a fire truck and equipment. The City and Township are each liable to National City for one-half of the obligation. The liability and debt payments are accounted for on the financial statements of the Hartford Fire Board.

The following financial information of the joint venture obtained from audited financial statements is as of June 30, 2003, the most recent financial statement available.

Total assets	\$ 422,873
Total liabilities	95,373
Total equity	327,500
Total revenue and other financing sources	220,977
Total expenditures	184,952
Increase in fund balance	36,025

The audited financial statements of the Hartford Fire Board for the year ended June 30, 2003, are available from the Fire Board.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expense of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

The City of Hartford reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Major Street Fund** is used to account for major street repair and maintenance.

The **Water Improvement Fund** accounts for the replacement of water mains to improve the City's water pressure and quality.

The City of Hartford reports the following major proprietary funds:

The **Water Fund** accounts for the activities related to the City's water production, purification, distribution, and billing.

The **Sewer Fund** accounts for the activities related to the City's sanitary collections system and wastewater treatment.

Additionally, the City of Hartford reports the following fund type:

The **Agency Funds** are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water Fund, Sewer Fund, and other functions and segments. Elimination of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first. Unrestricted resources are used as they are needed.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Budgetary Data

At an April meeting the Manager submits to the City Commission a proposed operating budget for the calendar year. The operating budget includes proposed expenditures and the means of financing them for all governmental and proprietary fund types. Public hearings are then conducted at the City Hall to obtain taxpayer comments. Prior to June 30, the budget is legally enacted on a summary budget basis through passage of a resolution.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Hartford as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings	25-50 years
Equipment	5-15 years
Vehicles	3-12 years
Utility Systems	10-40 years
Land Improvements	15-25 years

F. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statements of net assets. Bonds premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Long-Term Liabilities - Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

G. Property Taxes

City property taxes are levied on July 1 and are payable without penalty through September 30. The City bills and collects its own property taxes and also taxes for the County and several other municipalities within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund. Property taxes become available and are thus recognized as revenue in the fiscal year they are levied.

H. Cash Flow Statement

For purposes of the Statement of Cash Flows, the Enterprise Funds consider all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market.

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick pay. Upon voluntary leaving or retirement an employee is entitled to payment of 60% of his/her accumulated and unused sick pay computed at the final hourly rate of pay. Employees are not permitted to carry over vacation days. Any unused vacation days upon termination of employment are paid 100% based on the final hourly rate. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Fund Balance Reserves

A fund balance reserve arises from statutory requirements or actions already taken by the City. The reserved portion of the fund balance identifies those amounts segregated for future purposes or not available to finance expenditures in the subsequent fiscal year.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS

The City's deposits are carried at cost. Act 217, PA 1982, authorizes the City to deposit and invest in the accounts of federally insured banks, insured credit unions, savings and loan associations and bonds and other direct obligations of the United States. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy for custodial credit risk is to minimize the risk by using only those financial institutions meeting specific qualifications. As of June 30, 2005, \$401,416 of the government's bank balance of \$501,416 was exposed to custodial credit risk as follows:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Uninsured and uncollateralized	\$ 398,974	\$ 2,442	\$ 401,416

Investments are categorized into these three categories of risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

At year-end, the government's investment balances were as follows:

	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Reported Amount/ Fair Value</u>
Certificates of Deposit				
Negotiable certificates of deposit	\$ 200,000	\$ -	\$ 627,327	\$ 827,327
U. S. Government Securities	-	-	264,864	264,864
Total Investments	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 892,191</u>	<u>\$ 1,092,191</u>

NOTE 3 - EXPENDITURES OVER BUDGET

The annual budget is prepared by the City management and adopted by the City Commission. Subsequent amendments are approved by the City Commission.

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the City was adopted at the department level. During the year ended June 30, 2005, the City incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

	<u>Activity Appropriation</u>	<u>Activity Expenditures</u>	<u>Negative Budget Activity</u>
General Fund:			
General Government	\$ 291,985	\$ 305,990	\$ (14,005)
Debt Service - Interest	2,000	2,215	(215)

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2005

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2005 were as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Governmental Activities				
Land	\$ 85,483	\$ 33,385	\$ -	\$ 118,868
Other nondepreciable assets	<u>269,902</u>	<u>-</u>	<u>269,902</u>	<u>-</u>
Total Nondepreciable Assets	<u>\$ 355,385</u>	<u>\$ 33,385</u>	<u>\$ 269,902</u>	<u>\$ 118,868</u>
Land Improvements	\$ -	\$ 269,902	\$ -	\$ 269,902
Buildings and improvements	870,317	25,414	-	895,731
Machinery and equipment	229,498	15,188	-	244,686
Office equipment	47,130	6,347	-	53,477
Vehicles	80,414	-	-	80,414
Infrastructure	<u>-</u>	<u>66,676</u>	<u>-</u>	<u>66,676</u>
Subtotal	<u>\$ 1,227,359</u>	<u>\$ 383,527</u>	<u>\$ -</u>	<u>\$ 1,610,886</u>
Less: Accumulated Depreciation	<u>(180,276)</u>	<u>(66,373)</u>	<u>-</u>	<u>(246,649)</u>
Total Capital Assets Other Than Land	<u>\$ 1,047,083</u>	<u>\$ 317,154</u>	<u>\$ -</u>	<u>\$ 1,364,237</u>
Business Activities				
Land	<u>\$ 149,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,333</u>
Buildings and improvements	\$ 1,816,259	\$ 31,931	\$ (6,807)	\$ 1,841,383
Equipment	958,277	83,707	-	1,041,984
Utility systems	<u>2,072,121</u>	<u>-</u>	<u>-</u>	<u>2,072,121</u>
Subtotal	<u>\$ 4,846,657</u>	<u>\$ 115,638</u>	<u>\$ (6,807)</u>	<u>\$ 4,955,488</u>
Less: Accumulated Depreciation	<u>(2,305,563)</u>	<u>(109,201)</u>	<u>5,030</u>	<u>(2,409,734)</u>
Total Capital Assets Other Than Land	<u>\$ 2,541,094</u>	<u>\$ 6,437</u>	<u>\$ (1,777)</u>	<u>\$ 2,545,754</u>

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2005

NOTE 5 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the primary government for the year ended June 30, 2005:

	<u>Bonds</u>	<u>Other Debt</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance at July 1, 2004	\$ 1,814,000	\$ 72,274	\$ 34,734	\$ 1,921,008
New debt	-	200,000	-	200,000
Debt redeemed	55,000	27,208	-	82,208
Balance at June 30, 2005	<u>\$ 1,759,000</u>	<u>\$ 245,066</u>	<u>\$ 34,734</u>	<u>\$ 2,038,800</u>

Long-term debt at June 30, 2005 is comprised of the following individual issues:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
Governmental Activities - Primary Activities					
\$27,765 Township of Hartford for annexation of property by the City conditional upon installation of water and sewer main along County Road 687 by December 31, 2013. Due in annual installments increasing from \$1,860 to \$ 3,683 through February 15, 2014, including interest at 5%.	\$ 13,884	\$ -	\$ 1,388	\$ 12,496	\$ 1,388
\$220,000 1999 Michigan Transportation Fund Bonds due in annual installments of \$10,000 to \$20,000 through August 1, 2014, plus interest at 5.0% to 5.1%.	180,000	-	10,000	170,000	10,000
\$60,831 2001 dump truck loan due in annual installments of \$14,320 through November 20, 2005, including interest at 5.69%.	26,365	-	12,820	13,545	13,545
\$732,000 2001 Building Authority Bonds, Series A, due in annual installments of \$7,000 to \$45,000 through November 1, 2042, plus interest at 4.75%.	719,000	-	7,000	712,000	7,000
\$60,000 2001 Building Authority Bonds, Series B, due in annual installments of \$1,000 to \$3,000 through November 1, 2039 plus interest at 4.75%.	58,000	-	1,000	57,000	1,000

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2005

NOTE 5 - LONG-TERM DEBT - Continued

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities -					
Primary Activities - Continued					
\$39,450 2003 310SG backhoe loan due in annual installments of \$13,716 to \$5,715 through November 5, 2007, including interest at 2.74%.	32,025	-	13,000	19,025	13,362
\$200,000 loan for Water Improvement Fund from Van Buren County due in quarterly installments of \$5,505 to \$5,529 plus interest of 2% through May 17, 2015.	-	200,000	-	200,000	18,253
Compensated absences - General Fund, Property Replacement Fund, Streetscape Fund, Building Department Fund, Local Street Fund, Major Street Fund and Sidewalk Fund.	33,631	-	-	33,631	-
Total Primary Government	<u>\$ 1,062,905</u>	<u>\$ 200,000</u>	<u>\$ 45,208</u>	<u>\$ 1,217,697</u>	<u>\$ 64,548</u>
Business Activities					
\$200,000 1987 Water Supply Revenue Bonds, Series A, due in annual installments of \$5,000 to \$10,000 through January 1, 2027, plus interest at 6.125%.	\$ 130,000	\$ -	\$ 5,000	\$ 125,000	\$ 5,000
\$75,000 1987 Water Supply Revenue Bonds, Series B, due in annual installments of \$2,000 to \$3,000 through January 1, 2027, plus interest at 5.75%.	47,000	-	2,000	45,000	2,000
\$395,000 Unlimited Tax General Obligation Bonds due in annual installments of \$15,000 to \$35,000 through October 15, 2015, plus interest at 5.5% to 6.1%.	295,000	-	15,000	280,000	20,000
\$425,000 1999 Water Supply and Sewage Disposal System Bonds due in annual installments of \$15,000 to \$30,000 through November 1, 2020, plus interest at 5.0% to 6.0%.	385,000	-	15,000	370,000	15,000
Compensated absences - Water Fund and Sewer Fund.	1,103	-	-	1,103	-
Total Business Activities	<u>\$ 858,103</u>	<u>\$ -</u>	<u>\$ 37,000</u>	<u>\$ 821,103</u>	<u>\$ 42,000</u>

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2005

NOTE 5 - LONG-TERM DEBT - Continued

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2006	\$ 64,548	\$ 50,726	\$ 42,000	\$ 44,759
2007	49,670	48,379	42,000	43,531
2008	44,384	46,904	42,000	41,214
2009	44,767	45,481	42,000	38,876
2010-2014	258,853	203,189	285,000	150,144
2015-2019	107,844	154,686	235,000	71,128
2020-2024	84,000	136,328	95,000	23,222
2025-2029	108,000	113,387	37,000	5,210
2030-2034	134,000	85,029	-	-
2035-2039	170,000	48,879	-	-
2040-2044	118,000	8,837	-	-
Total	\$ 1,184,066	\$ 941,825	\$ 820,000	\$ 418,084

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

During the year, the following transfers were made between funds:

From General Fund	
To Property Replacement Fund	\$ 32,000
To Sidewalk Fund - for sidewalk repairs	3,000
From Streetscape Fund	
To Major Street Fund	11,139
From Major Street Fund	
To West Municipal Parking Lot - for construction	17,077
To East Main Reconstruction - for construction	3,042
Total Transfers Between Funds	\$ 66,258

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2005

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

The composition of interfund balances as of June 30, 2005, is as follows:

Due from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Trust and Agency Fund	\$ 1,135
	Property Replacement Fund	50
	Total	<u>\$ 1,185</u>

NOTE 7 - SEGMENT INFORMATION FROM ENTERPRISE FUNDS

The City maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended June 30, 2005 is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$ 274,353	\$ 305,831	\$ 580,184
Depreciation and amortization	42,169	67,032	109,201
Operating income (loss)	40,317	(2,123)	38,194
Nonoperating revenues (expenses)	(6,338)	(1,192)	(7,530)
Change in net assets	33,979	(3,315)	30,664
Property, plant, and equipment additions	60,208	55,430	115,638
Net working capital	149,173	320,183	469,356
Long-term debt	618,250	159,750	778,000
Total assets	1,484,830	1,908,191	3,393,021
Total net assets	817,933	1,735,851	2,553,784

NOTE 8 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with the provisions of the Internal Revenue Code Section 457. As a result of recent federal legislation with regard to Internal Revenue Code Section 457, the City no longer has the rights to the assets of the deferred compensation plan. The assets of the plan have been transferred into individual trust accounts of the employees and are no longer subject to the claims of the general creditors of the City. Therefore, the City is no longer required to account for the deferred compensation plan and the agency that accounted for it has been eliminated.

NOTE 9 - NET ASSETS

Reservations of net assets are established to identify the existence of assets that are legally restricted to a future use or the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure. These include such assets as donor-restricted endowments and long-term advances to other funds or entities.

At June 30, 2005, reservations of fund equity consisted of the following:

ENTERPRISE FUNDS

Water Fund	
Reserved for restricted assets	<u>\$ 167,340</u>

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2005

NOTE 10 - LEASE AGREEMENT

On December 4, 2001, the City of Hartford Building Authority issued City of Hartford Building Authority, Building Authority Bonds, Series 2001A and 2001B in the amount \$732,000 and \$60,000 respectively. Subsequent to issuing bonds, the Building Authority constructed a new City Hall and Police Department headquarters. The City of Hartford entered into a lease contract with the Building Authority. The lease contract provides for the City to pay the Building Authority rent for the City Hall in an amount sufficient to enable the Building Authority to pay the principal and interest on the bonds issued by the Building Authority. The lease contract will terminate when all bonds issued by the Building Authority to finance the project have been retired. At that time, the Building Authority will convey to the City all of its rights, title and interest in the City Hall.

NOTE 11 - RELATED PARTY TRANSACTIONS

Rick Hall is a commission member for the City. During the year, Mr. Hall contracted with the City to perform repairs on the sidewalks. Normally the City would be charged \$4.50 per square foot for the repairs for the sidewalks but Mr. Hall contracted with the City at only \$2.50 per square foot. Mr. Hall only charged for the materials that were rendered. For the year ended June 30, 2005, the City has paid Mr. Hall \$1,559.

**CITY OF HARTFORD
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds**

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sidewalk Fund - This fund is used to account for revenues collected and monies expended for the purpose of street sidewalks.

Local Street Fund - This fund is used to account for revenues collected and monies expended for local street improvements.

Building Department Fund - This fund is used to account for revenues collected and monies expended for the purpose of funding planning, zoning and inspection functions.

Building Authority - This fund is a blended component unit. It is used to collect lease payments from the City and make debt payments.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Property Replacement Fund - This fund is used to account for the capital improvements to replace obsolete equipment.

West Municipal Parking Lot Fund - This fund is used to account for the acquisition and development of a vacant parcel of land into a public parking lot.

East Main Construction Fund - This fund is used to account for the reconstruction of East Main Street to improve drainage and water problems.

**CITY OF HARTFORD
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2005**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 96,846	\$ 69,372	\$ 166,218
Due from other governments	<u>3,528</u>	<u>-</u>	<u>3,528</u>
Total Current Assets	<u>\$ 100,374</u>	<u>\$ 69,372</u>	<u>\$ 169,746</u>
TOTAL ASSETS	<u>\$ 100,374</u>	<u>\$ 69,372</u>	<u>\$ 169,746</u>
Liabilities and Fund Balances			
Current Liabilities:			
Accounts payable	\$ 2,845	\$ -	\$ 2,845
Due to general fund	<u>-</u>	<u>50</u>	<u>50</u>
Total Current Liabilities	<u>\$ 2,845</u>	<u>\$ 50</u>	<u>\$ 2,895</u>
Total Liabilities	<u>\$ 2,845</u>	<u>\$ 50</u>	<u>\$ 2,895</u>
Fund Balances:			
Unreserved, report in:			
Special Revenue	\$ 97,529	\$ -	\$ 97,529
Capital Projects	<u>-</u>	<u>69,322</u>	<u>69,322</u>
Total Fund Balances	<u>\$ 97,529</u>	<u>\$ 69,322</u>	<u>\$ 166,851</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 100,374</u>	<u>\$ 69,372</u>	<u>\$ 169,746</u>

CITY OF HARTFORD
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2005

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
State revenues	\$ 46,903	\$ -	\$ 46,903
Rent	50,000	-	50,000
Licenses and permits	16,508	-	16,508
Interest	14	19	33
Capital grant	-	80,000	80,000
Other	-	12,162	12,162
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 113,425	\$ 92,181	\$ 205,606
	<hr/>	<hr/>	<hr/>
Expenditures			
Current:			
Highways and streets	\$ 36,809	\$ 102,119	\$ 138,928
Public safety	12,079	3,901	15,980
Public works	-	10,559	10,559
Debt service:			
Principal retirement	8,000	-	8,000
Interest	36,717	-	36,717
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 93,605	\$ 116,579	\$ 210,184
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 19,820	\$ (24,398)	\$ (4,578)
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses)			
Operating transfers in	\$ 3,000	\$ 52,119	\$ 55,119
Operating transfers out	-	(11,139)	(11,139)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ 3,000	\$ 40,980	\$ 43,980
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	\$ 22,820	\$ 16,582	\$ 39,402
	<hr/>	<hr/>	<hr/>
Fund Balance - July 1, 2004	74,709	52,740	127,449
	<hr/>	<hr/>	<hr/>
FUND BALANCE - JUNE 30, 2005	\$ 97,529	\$ 69,322	\$ 166,851
	<hr/>	<hr/>	<hr/>

**CITY OF HARTFORD
GENERAL FUND
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Taxes	\$ 344,500	\$ 343,617	\$ (883)
Tax administration fee	11,000	12,640	1,640
Licenses and permits	10,000	19,204	9,204
Equipment rental	105,000	107,509	2,509
State revenue	312,000	333,213	21,213
Federal grant	47,000	47,514	514
Charges for services	8,700	9,670	970
Fines and forfeits	500	1,870	1,370
Interest	21,500	21,560	60
Administration fee - other funds	60,000	60,000	-
Other	500	6,991	6,491
Total Revenues	<u>\$ 920,700</u>	<u>\$ 963,788</u>	<u>\$ 43,088</u>
Expenditures			
Legislative	\$ 17,000	\$ 16,180	\$ 820
General government	291,985	305,990	(14,005)
Public safety	397,500	393,597	3,903
Public works	186,600	183,763	2,837
Recreation and culture	2,300	2,031	269
Debt service:			
Principal	30,800	28,196	2,604
Interest	2,000	2,215	(215)
Total Expenditures	<u>\$ 928,185</u>	<u>\$ 931,972</u>	<u>\$ (3,787)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (7,485)</u>	<u>\$ 31,816</u>	<u>\$ 39,301</u>
Other Financing Sources (Uses)			
Operating transfers out	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	<u>\$ -</u>
Total Other Financing Sources (Uses)	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (42,485)</u>	<u>\$ (3,184)</u>	<u>\$ 39,301</u>
Fund Balance - July 1, 2004	<u>505,225</u>	<u>505,225</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2005	<u>\$ 462,740</u>	<u>\$ 502,041</u>	<u>\$ 39,301</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Legislative			
City Council:			
Salaries and wages	\$ 7,200	\$ 6,700	\$ 500
Benefits	1,000	633	367
Insurance and bonds	2,500	3,529	(1,029)
Membership dues	2,100	2,301	(201)
Miscellaneous	<u>2,500</u>	<u>1,402</u>	<u>1,098</u>
Total City Council	<u>\$ 15,300</u>	<u>\$ 14,565</u>	<u>\$ 735</u>
Mayor:			
Salaries and wages	\$ 1,500	\$ 1,500	\$ -
Benefits	<u>200</u>	<u>115</u>	<u>85</u>
Total Mayor	<u>\$ 1,700</u>	<u>\$ 1,615</u>	<u>\$ 85</u>
TOTAL LEGISLATIVE	<u>\$ 17,000</u>	<u>\$ 16,180</u>	<u>\$ 820</u>
General Government			
City Manager:			
Salaries and wages	\$ 56,750	\$ 61,756	\$ (5,006)
Benefits	17,802	15,248	2,554
Insurance and bonds	538	855	(317)
Membership dues	600	75	525
Contractual services	1,200	-	1,200
Miscellaneous	<u>1,100</u>	<u>453</u>	<u>647</u>
Total City Manager	<u>\$ 77,990</u>	<u>\$ 78,387</u>	<u>\$ (397)</u>
Elections:			
Postage	\$ 300	\$ 80	\$ 220
Supplies	1,000	391	609
Contractual services	2,300	4,348	(2,048)
Travel	100	50	50
Publishing	<u>500</u>	<u>61</u>	<u>439</u>
Total Elections	<u>\$ 4,200</u>	<u>\$ 4,930</u>	<u>\$ (730)</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government - Continued			
Assessor:			
Contractual services	\$ 10,000	\$ 9,548	\$ 452
Supplies	2,000	1,158	842
Miscellaneous	-	625	(625)
Postage	500	-	500
	<u>\$ 12,500</u>	<u>\$ 11,331</u>	<u>\$ 1,169</u>
Total Assessor			
Professional Services:			
Legal	\$ 3,000	\$ 2,747	\$ 253
Audit	12,000	11,500	500
	<u>\$ 15,000</u>	<u>\$ 14,247</u>	<u>\$ 753</u>
Total Professional Services			
Clerk:			
Salaries	\$ 28,000	\$ 28,571	\$ (571)
Benefits	6,695	6,147	548
Supplies	1,000	708	292
Postage	200	13	187
Publishing	700	338	362
Contractual services	600	172	428
Office equipment	500	623	(123)
Miscellaneous	2,000	2,445	(445)
	<u>\$ 39,695</u>	<u>\$ 39,017</u>	<u>\$ 678</u>
Total Clerk			
Central Supply:			
Supplies	\$ 2,500	\$ 2,530	\$ (30)
Repairs and maintenance	3,000	194	2,806
	<u>\$ 5,500</u>	<u>\$ 2,724</u>	<u>\$ 2,776</u>
Total Central Supply			
Board of Review:			
Contractual services	\$ 1,200	\$ 717	\$ 483
Benefits	100	-	100
Miscellaneous	500	440	60
	<u>\$ 1,800</u>	<u>\$ 1,157</u>	<u>\$ 643</u>
Total Board of Review			

CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government - Continued			
Treasurer:			
Salaries and wages	\$ 36,000	\$ 37,286	\$ (1,286)
Benefits	12,500	11,501	999
Postage	500	781	(281)
Travel	500	345	155
Contractual services	500	463	37
Insurance and bonds	700	674	26
Operating supplies	600	532	68
Office equipment	500	638	(138)
Miscellaneous	<u>1,200</u>	<u>1,008</u>	<u>192</u>
Total Treasurer	<u>\$ 53,000</u>	<u>\$ 53,228</u>	<u>\$ (228)</u>
City Hall and Grounds:			
Contractual services	\$ 3,000	\$ 4,641	\$ (1,641)
Utilities and telephone	10,600	8,297	2,303
Repairs and maintenance	1,000	17,696	(16,696)
Insurance and bonds	1,200	4,602	(3,402)
Building improvements	500	-	500
Lease expense	50,000	50,000	-
Equipment	10,500	12,243	(1,743)
Supplies	<u>5,500</u>	<u>3,490</u>	<u>2,010</u>
Total City Hall and Grounds	<u>\$ 82,300</u>	<u>\$ 100,969</u>	<u>\$ (18,669)</u>
 TOTAL GENERAL GOVERNMENT	 <u>\$ 291,985</u>	 <u>\$ 305,990</u>	 <u>\$ (14,005)</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Safety			
Police Department:			
Salaries and wages	\$ 234,500	\$ 239,301	\$ (4,801)
Benefits	67,200	62,435	4,765
Supplies	2,400	1,729	671
Postage	1,000	74	926
Legal	1,500	311	1,189
Clothing allowance	3,000	934	2,066
Gasoline and oil	5,000	5,849	(849)
Contractual services	500	400	100
Telephone	4,500	3,310	1,190
Repairs and maintenance	6,500	6,213	287
Training fund	2,000	-	2,000
Membership fees	200	115	85
Insurance and bonds	4,500	6,105	(1,605)
Capital outlay	1,200	7,885	(6,685)
Total Police Department	<u>\$ 334,000</u>	<u>\$ 334,661</u>	<u>\$ (661)</u>
Fire Department:			
Contribution to Fire Board	<u>\$ 58,800</u>	<u>\$ 54,288</u>	<u>\$ 4,512</u>
Total Fire Department	<u>\$ 58,800</u>	<u>\$ 54,288</u>	<u>\$ 4,512</u>
Zoning Board:			
Salaries and wages	\$ 2,600	\$ 2,600	\$ -
Benefits	300	184	116
Contractual services	800	840	(40)
Supplies	300	344	(44)
Training	700	680	20
Total Zoning Board	<u>\$ 4,700</u>	<u>\$ 4,648</u>	<u>\$ 52</u>
TOTAL PUBLIC SAFETY	<u>\$ 397,500</u>	<u>\$ 393,597</u>	<u>\$ 3,903</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Works			
Department of Public Works:			
Salaries and wages	\$ 65,500	\$ 57,921	\$ 7,579
Benefits	43,500	50,250	(6,750)
Supplies	6,000	5,532	468
Clothing allowance	2,000	557	1,443
Gasoline and oil	9,000	11,227	(2,227)
Contractual services	10,000	6,389	3,611
Utilities and telephone	6,900	10,445	(3,545)
Street lighting	19,200	2,676	16,524
Repairs and maintenance	15,000	9,710	5,290
Training	1,000	-	1,000
Capital outlay	-	25,414	(25,414)
Insurance and bonds	8,000	3,392	4,608
Miscellaneous	500	250	250
TOTAL PUBLIC WORKS	<u>\$ 186,600</u>	<u>\$ 183,763</u>	<u>\$ 2,837</u>
Recreation and Culture			
Miscellaneous	<u>\$ 2,300</u>	<u>\$ 2,031</u>	<u>\$ 269</u>
TOTAL RECREATION AND CULTURE	<u>\$ 2,300</u>	<u>\$ 2,031</u>	<u>\$ 269</u>
Debt Service			
Principal	\$ 30,800	\$ 28,196	\$ 2,604
Interest	<u>2,000</u>	<u>2,215</u>	<u>(215)</u>
TOTAL DEBT SERVICE	<u>\$ 32,800</u>	<u>\$ 30,411</u>	<u>\$ 2,389</u>
TOTAL EXPENDITURES	<u>\$ 928,185</u>	<u>\$ 931,972</u>	<u>\$ (3,787)</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Other Financing Sources and Uses - Budget and Actual
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Uses			
Operating transfer to Sidewalk Fund	\$ 3,000	\$ 3,000	\$ -
Operating transfer to Replacement Fund	<u>32,000</u>	<u>32,000</u>	<u>-</u>
 TOTAL USES	 <u>\$ 35,000</u>	 <u>\$ 35,000</u>	 <u>\$ -</u>

CITY OF HARTFORD
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2005

	<u>Local Street</u>	<u>Sidewalk</u>	<u>Building Department</u>	<u>Building Authority</u>	<u>Total</u>
Assets					
Cash	\$ 68,913	\$ 1,787	\$ 19,121	\$ 7,025	\$ 96,846
Due from other governmental units	<u>3,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,528</u>
TOTAL ASSETS	<u>\$ 72,441</u>	<u>\$ 1,787</u>	<u>\$ 19,121</u>	<u>\$ 7,025</u>	<u>\$ 100,374</u>
Liabilities					
Accounts payable	\$ 2,845	\$ -	\$ -	\$ -	\$ 2,845
Total Liabilities	<u>\$ 2,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,845</u>
Fund Balance					
Unreserved - undesignated	\$ 69,596	\$ 1,787	\$ 19,121	\$ 7,025	\$ 97,529
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 72,441</u>	<u>\$ 1,787</u>	<u>\$ 19,121</u>	<u>\$ 7,025</u>	<u>\$ 100,374</u>

CITY OF HARTFORD
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2005

	<u>Local Street</u>	<u>Sidewalk</u>	<u>Building Department</u>
Revenues			
State revenue	\$ 46,903	\$ -	\$ -
Rent revenue	-	-	-
Permits and fees	-	-	16,508
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 46,903	\$ -	\$ 16,508
	<hr/>	<hr/>	<hr/>
Expenditures			
Administration fee	\$ 500	\$ -	\$ 2,000
Routine maintenance	23,038	-	-
Traffic services	243	-	-
Improvements	-	2,986	-
Winter maintenance	9,542	-	-
Debt service	-	-	-
Building department	-	-	10,079
Professional fees	500	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 33,823	\$ 2,986	\$ 12,079
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 13,080	\$ (2,986)	\$ 4,429
	<hr/>	<hr/>	<hr/>
Other Financing Sources			
Operating transfers in	\$ -	\$ 3,000	\$ -
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	\$ -	\$ 3,000	\$ -
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	\$ 13,080	\$ 14	\$ 4,429
	<hr/>	<hr/>	<hr/>
Fund Balances - July 1, 2004	56,516	1,773	14,692
	<hr/>	<hr/>	<hr/>
FUND BALANCES - JUNE 30, 2005	\$ 69,596	\$ 1,787	\$ 19,121
	<hr/>	<hr/>	<hr/>

<u>Building Authority</u>	<u>Total</u>
\$ -	\$ 46,903
50,000	50,000
-	16,508
<u>14</u>	<u>14</u>
 \$ 50,014	 \$ 113,425
 \$ -	 \$ 2,500
-	23,038
-	243
-	2,986
-	9,542
44,717	44,717
-	10,079
<u>-</u>	<u>500</u>
 \$ 44,717	 \$ 93,605
 \$ 5,297	 \$ 19,820
 \$ -	 \$ 3,000
 \$ -	 \$ 3,000
 \$ 5,297	 \$ 22,820
<u>1,728</u>	<u>74,709</u>
 \$ 7,025	 \$ 97,529

CITY OF HARTFORD
NONMAJOR CAPITAL PROJECTS FUNDS
Combining Balance Sheet
June 30, 2005

	<u>Property Replacement Fund</u>	<u>West Municipal Parking Lot</u>	<u>Streetscape</u>	<u>East Main Street Reconstruction</u>	<u>Total</u>
Assets					
Current assets					
Cash	\$ 69,372	\$ -	\$ -	\$ -	\$ 69,372
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>\$ 69,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,372</u>
Liabilities					
Current liabilities					
Due to general fund	\$ 50	\$ -	\$ -	\$ -	\$ 50
Total Current Liabilities	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>
Fund Equity					
Fund balance:					
Reserved for restricted assets	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>69,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,322</u>
Total Fund Equity	<u>\$ 69,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,322</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 69,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,372</u>

CITY OF HARTFORD
NONMAJOR CAPITAL PROJECTS FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2005

	Property Replacement Fund	West Municipal Parking Lot	Streetscape	East Main Street Reconstruction	Total
Revenues					
Capital grant	\$ -	\$ 80,000	\$ -	\$ -	\$ 80,000
Interest	-	-	19	-	19
Other	462	-	11,700	-	12,162
Total Revenues	\$ 462	\$ 80,000	\$ 11,719	\$ -	\$ 92,181
Expenditures					
Capital outlay	\$ 14,460	\$ 97,077	\$ 2,000	\$ 3,042	\$ 116,579
Total Expenditures	\$ 14,460	\$ 97,077	\$ 2,000	\$ 3,042	\$ 116,579
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (13,998)	\$ (17,077)	\$ 9,719	\$ (3,042)	\$ (24,398)
Other Financing Sources (Uses)					
Operating transfers in (out)	\$ 32,000	\$ 17,077	\$ (11,139)	\$ 3,042	\$ 40,980
Total Other Financing Sources (Uses)	\$ 32,000	\$ 17,077	\$ (11,139)	\$ 3,042	\$ 40,980
Net Change in Fund Balance	\$ 18,002	\$ -	\$ (1,420)	\$ -	\$ 16,582
Fund Balances - July 1, 2004	51,320	-	1,420	-	52,740
FUND BALANCES - JUNE 30, 2005	\$ 69,322	\$ -	\$ -	\$ -	\$ 69,322

CITY OF HARTFORD
AGENCY FUNDS
Statement of Changes in Assets and Liabilities
Trust and Agency Fund
For the Year Ended June 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>June 30, 2005</u>
Assets				
Cash	\$ 3,329	\$ 5,001	\$ 2,157	\$ 6,173
TOTAL ASSETS	<u>\$ 3,329</u>	<u>\$ 5,001</u>	<u>\$ 2,157</u>	<u>\$ 6,173</u>
Liabilities and Fund Balance				
Due to employees	\$ 126	\$ 120	\$ 150	\$ 96
Due to recreation fund	8	-	-	8
Due to general fund	1,135	519	519	1,135
Due to other governmental units	1,898	4,362	1,488	4,772
Memorial fund	<u>162</u>	<u>-</u>	<u>-</u>	<u>162</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,329</u>	<u>\$ 5,001</u>	<u>\$ 2,157</u>	<u>\$ 6,173</u>

CITY OF HARTFORD
 AGENCY FUNDS
 Statement of Changes in Assets and Liabilities
 Current Tax Fund
 For the Year Ended June 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>June 30, 2005</u>
Assets				
Cash	\$ -	\$ 1,145,148	\$ 1,145,148	\$ -
 TOTAL ASSETS	 \$ -	 \$ 1,145,148	 \$ 1,145,148	 \$ -
 Liabilities				
Due to other funds	\$ -	\$ 364,481	\$ 364,481	\$ -
Due to other governmental units	-	780,667	780,667	-
 TOTAL LIABILITIES AND FUND BALANCE	 \$ -	 \$ 1,145,148	 \$ 1,145,148	 \$ -

CITY OF HARTFORD
2003 Purchase Contract - Backhoe
June 30, 2005

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Debt Service</u>	<u>Interest Due</u> <u>November 5,</u>	<u>Principal Due</u> <u>November 5,</u>	<u>Balance</u>
2006	2.74%	\$ 13,716	\$ 354	\$ 13,362	\$ 5,663
2007	2.74	5,717	54	5,663	
		<u>\$ 19,433</u>	<u>\$ 408</u>	<u>\$ 19,025</u>	

CITY OF HARTFORD
Schedule of 1987 Water Supply Revenue Bonds, Series A
June 30, 2005

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due	Balance
			July 1	January 1	January 1	
2006	6.125%	\$ 14,062	\$ 4,531	\$ 4,531	\$ 5,000	\$ 120,000
2007	6.125	13,700	4,350	4,350	5,000	115,000
2008	6.125	13,338	4,169	4,169	5,000	110,000
2009	6.125	12,976	3,988	3,988	5,000	105,000
2010	6.125	12,612	3,806	3,806	5,000	100,000
2011	6.125	12,250	3,625	3,625	5,000	95,000
2012	6.125	11,888	3,444	3,444	5,000	90,000
2013	6.125	11,526	3,263	3,263	5,000	85,000
2014	6.125	11,162	3,081	3,081	5,000	80,000
2015	6.125	10,800	2,900	2,900	5,000	75,000
2016	6.125	10,434	2,717	2,717	5,000	70,000
2017	6.125	10,076	2,538	2,538	5,000	65,000
2018	6.125	9,712	2,356	2,356	5,000	60,000
2019	6.125	9,350	2,175	2,175	5,000	55,000
2020	6.125	8,988	1,994	1,994	5,000	50,000
2021	6.125	8,624	1,812	1,812	5,000	45,000
2022	6.125	8,262	1,631	1,631	5,000	40,000
2023	6.125	7,900	1,450	1,450	5,000	35,000
2024	6.125	7,538	1,269	1,269	5,000	30,000
2025	6.125	12,174	1,087	1,087	10,000	20,000
2026	6.125	11,450	725	725	10,000	10,000
2027	6.125	10,724	362	362	10,000	-
		<u>\$ 239,546</u>	<u>\$ 57,273</u>	<u>\$ 57,273</u>	<u>\$ 125,000</u>	

CITY OF HARTFORD
Schedule of 1987 Water Supply Revenue Bonds, Series B
June 30, 2005

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due January 1	Balance
			July 1	January 1		
2006	5.75%	\$ 4,588	\$ 1,294	\$ 1,294	\$ 2,000	\$ 43,000
2007	5.75	4,472	1,236	1,236	2,000	41,000
2008	5.75	4,358	1,179	1,179	2,000	39,000
2009	5.75	4,242	1,121	1,121	2,000	37,000
2010	5.75	4,128	1,064	1,064	2,000	35,000
2011	5.75	4,012	1,006	1,006	2,000	33,000
2012	5.75	3,898	949	949	2,000	31,000
2013	5.75	3,782	891	891	2,000	29,000
2014	5.75	3,668	834	834	2,000	27,000
2015	5.75	3,552	776	776	2,000	25,000
2016	5.75	3,438	719	719	2,000	23,000
2017	5.75	3,322	661	661	2,000	21,000
2018	5.75	3,208	604	604	2,000	19,000
2019	5.75	3,092	546	546	2,000	17,000
2020	5.75	2,978	489	489	2,000	15,000
2021	5.75	2,862	431	431	2,000	13,000
2022	5.75	2,748	374	374	2,000	11,000
2023	5.75	2,632	316	316	2,000	9,000
2024	5.75	2,518	259	259	2,000	7,000
2025	5.75	2,402	201	201	2,000	5,000
2026	5.75	2,288	144	144	2,000	3,000
2027	5.75	3,172	86	86	3,000	-
		<u>\$ 75,360</u>	<u>\$ 15,180</u>	<u>\$ 15,180</u>	<u>\$ 45,000</u>	

CITY OF HARTFORD
Schedule of Unlimited Tax General Obligation Bonds
June 30, 2005

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Debt Service</u>	<u>Interest Due</u>		<u>Principal Due</u>	<u>Balance</u>
			<u>October 1</u>	<u>April 1</u>	<u>October 1</u>	
2006	5.30%	\$ 35,746	\$ 8,138	\$ 7,608	\$ 20,000	\$ 260,000
2007	5.40	34,676	7,608	7,068	20,000	240,000
2008	5.50	33,585	7,068	6,517	20,000	220,000
2009	5.60	32,475	6,517	5,958	20,000	200,000
2010	5.70	36,203	5,958	5,245	25,000	175,000
2011	5.80	34,765	5,245	4,520	25,000	150,000
2012	5.90	33,303	4,520	3,783	25,000	125,000
2013	6.00	36,666	3,783	2,883	30,000	95,000
2014	6.00	34,866	2,883	1,983	30,000	65,000
2015	6.10	33,050	1,983	1,067	30,000	35,000
2016	6.10	36,067	1,067	-	35,000	-
		<u>\$ 381,402</u>	<u>\$ 54,770</u>	<u>\$ 46,632</u>	<u>\$ 280,000</u>	

CITY OF HARTFORD
Schedule of 1999 Michigan Transportation Fund Bonds
June 30, 2005

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due	Balance
			August 1	February 1	August 1	
2006	5.00%	\$ 18,290	\$ 4,270	\$ 4,020	\$ 10,000	\$ 160,000
2007	5.00	22,665	4,020	3,645	15,000	145,000
2008	5.00	21,915	3,645	3,270	15,000	130,000
2009	5.00	21,165	3,270	2,895	15,000	115,000
2010	5.00	20,415	2,895	2,520	15,000	100,000
2011	5.00	24,540	2,520	2,020	20,000	80,000
2012	5.00	23,540	2,020	1,520	20,000	60,000
2013	5.00	22,540	1,520	1,020	20,000	40,000
2014	5.10	21,530	1,020	510	20,000	20,000
2015	5.10	20,510	510	-	20,000	-
		<u>\$ 217,110</u>	<u>\$ 25,690</u>	<u>\$ 21,420</u>	<u>\$ 170,000</u>	

CITY OF HARTFORD
Schedule of 1999 Water Supply and Sewage Disposal System Bonds
June 30, 2005

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due November 1	Balance
			November 1	May 1		
2006	5.00%	\$ 33,433	\$ 9,404	\$ 9,029	\$ 15,000	\$ 355,000
2007	5.00	32,683	9,029	8,654	15,000	340,000
2008	5.00	31,933	8,654	8,279	15,000	325,000
2009	5.00	31,183	8,279	7,904	15,000	310,000
2010	5.00	35,308	7,904	7,404	20,000	290,000
2011	5.00	34,308	7,404	6,904	20,000	270,000
2012	5.00	38,183	6,904	6,279	25,000	245,000
2013	5.00	36,933	6,279	5,654	25,000	220,000
2014	5.00	35,683	5,654	5,029	25,000	195,000
2015	5.00	34,433	5,029	4,404	25,000	170,000
2016	5.05	33,176	4,404	3,772	25,000	145,000
2017	5.10	31,907	3,772	3,135	25,000	120,000
2018	5.15	35,497	3,135	2,362	30,000	90,000
2019	5.20	33,944	2,362	1,582	30,000	60,000
2020	5.25	32,377	1,582	795	30,000	30,000
2021	5.30	30,795	795	-	30,000	-
		<u>\$ 541,776</u>	<u>\$ 90,590</u>	<u>\$ 81,186</u>	<u>\$ 370,000</u>	

CITY OF HARTFORD
Schedule of Property Annexation Agreement
June 30, 2005

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Debt Service</u>	<u>Interest Due</u> <u>February 15</u>	<u>Principal Due</u> <u>February 15</u>	<u>Balance</u>
2006	5.00%	\$ 2,493	\$ 1,105	\$ 1,388	\$ 11,108
2007	5.00	2,618	1,230	1,388	9,720
2008	5.00	2,749	1,361	1,388	8,332
2009	5.00	2,886	1,498	1,388	6,944
2010	5.00	3,030	1,642	1,388	5,556
2011	5.00	3,182	1,793	1,389	4,167
2012	5.00	3,341	1,952	1,389	2,778
2013	5.00	3,508	2,119	1,389	1,389
2014	5.00	3,684	2,295	1,389	-
		<u>\$ 27,491</u>	<u>\$ 14,995</u>	<u>\$ 12,496</u>	

CITY OF HARTFORD
Schedule of Dump Truck Payments
June 30, 2005

Year Ended	Interest	Annual	Interest Due	Principal Due	Balance
<u>June 30,</u>	<u>Rate</u>	<u>Debt Service</u>	<u>November 30</u>	<u>November 30</u>	
2006	5.69%	\$ 14,320	\$ 775	\$ 13,545	\$ -
		<u>\$ 14,320</u>	<u>\$ 775</u>	<u>\$ 13,545</u>	

CITY OF HARTFORD
Schedule of 2001 Building Authority Bonds, Series A
June 30, 2005

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due	Balance
			November 1	May 1	November 1	
2006	4.75%	\$ 40,654	\$ 16,910	\$ 16,744	\$ 7,000	\$ 705,000
2007	4.75	41,298	16,744	16,554	8,000	697,000
2008	4.75	40,918	16,554	16,364	8,000	689,000
2009	4.75	40,538	16,364	16,174	8,000	681,000
2010	4.75	41,134	16,174	15,960	9,000	672,000
2011	4.75	40,706	15,960	15,746	9,000	663,000
2012	4.75	41,255	15,746	15,509	10,000	653,000
2013	4.75	40,780	15,509	15,271	10,000	643,000
2014	4.75	41,281	15,271	15,010	11,000	632,000
2015	4.75	40,759	15,010	14,749	11,000	621,000
2016	4.75	41,213	14,749	14,464	12,000	609,000
2017	4.75	40,643	14,464	14,179	12,000	597,000
2018	4.75	41,049	14,179	13,870	13,000	584,000
2019	4.75	40,431	13,870	13,561	13,000	571,000
2020	4.75	40,790	13,561	13,229	14,000	557,000
2021	4.75	41,102	13,229	12,873	15,000	542,000
2022	4.75	40,389	12,873	12,516	15,000	527,000
2023	4.75	40,652	12,516	12,136	16,000	511,000
2024	4.75	40,869	12,136	11,733	17,000	494,000
2025	4.75	41,038	11,733	11,305	18,000	476,000
2026	4.75	41,159	11,305	10,854	19,000	457,000
2027	4.75	41,233	10,854	10,379	20,000	437,000
2028	4.75	40,283	10,379	9,904	20,000	417,000
2029	4.75	40,309	9,904	9,405	21,000	396,000
2030	4.75	40,288	9,405	8,883	22,000	374,000
2031	4.75	40,219	8,883	8,336	23,000	351,000
2032	4.75	41,079	8,336	7,743	25,000	326,000
2033	4.75	40,868	7,743	7,125	26,000	300,000
2034	4.75	40,609	7,125	6,484	27,000	273,000
2035	4.75	40,303	6,484	5,819	28,000	245,000
2036	4.75	40,925	5,819	5,106	30,000	215,000
2037	4.75	40,476	5,106	4,370	31,000	184,000
2038	4.75	39,980	4,370	3,610	32,000	152,000
2039	4.75	40,413	3,610	2,803	34,000	118,000
2040	4.75	40,751	2,803	1,948	36,000	82,000
2041	4.75	40,017	1,948	1,069	37,000	45,000
2042	4.75	46,069	1,069	-	45,000	-
		<u>\$ 1,512,480</u>	<u>\$ 408,695</u>	<u>\$ 391,785</u>	<u>\$ 712,000</u>	

CITY OF HARTFORD
Schedule of 2001 Building Authority Bonds, Series B
June 30, 2005

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due November 1	Balance
			November 1	May 1		
2006	4.75%	\$ 3,684	\$ 1,354	\$ 1,330	\$ 1,000	\$ 56,000
2007	4.75	3,636	1,330	1,306	1,000	55,000
2008	4.75	3,589	1,306	1,283	1,000	54,000
2009	4.75	3,542	1,283	1,259	1,000	53,000
2010	4.75	3,494	1,259	1,235	1,000	52,000
2011	4.75	3,446	1,235	1,211	1,000	51,000
2012	4.75	3,399	1,211	1,188	1,000	50,000
2013	4.75	3,352	1,188	1,164	1,000	49,000
2014	4.75	3,304	1,164	1,140	1,000	48,000
2015	4.75	3,256	1,140	1,116	1,000	47,000
2016	4.75	3,209	1,116	1,093	1,000	46,000
2017	4.75	3,162	1,093	1,069	1,000	45,000
2018	4.75	3,114	1,069	1,045	1,000	44,000
2019	4.75	3,066	1,045	1,021	1,000	43,000
2020	4.75	3,019	1,021	998	1,000	42,000
2021	4.75	2,972	998	974	1,000	41,000
2022	4.75	2,924	974	950	1,000	40,000
2023	4.75	3,853	950	903	2,000	38,000
2024	4.75	3,758	903	855	2,000	36,000
2025	4.75	3,663	855	808	2,000	34,000
2026	4.75	3,568	808	760	2,000	32,000
2027	4.75	3,473	760	713	2,000	30,000
2028	4.75	3,378	713	665	2,000	28,000
2029	4.75	3,283	665	618	2,000	26,000
2030	4.75	3,188	618	570	2,000	24,000
2031	4.75	3,093	570	523	2,000	22,000
2032	4.75	2,998	523	475	2,000	20,000
2033	4.75	2,903	475	428	2,000	18,000
2034	4.75	3,784	428	356	3,000	15,000
2035	4.75	3,641	356	285	3,000	12,000
2036	4.75	3,499	285	214	3,000	9,000
2037	4.75	3,357	214	143	3,000	6,000
2038	4.75	3,214	143	71	3,000	3,000
2039	4.75	3,071	71	-	3,000	-
		<u>\$ 113.892</u>	<u>\$ 29.123</u>	<u>\$ 27.769</u>	<u>\$ 57.000</u>	

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 26, 2005

To the City Commission
Hartford, Michigan

In connection with our audit of the books and records of the City of Hartford for the year ended June 30, 2005, we offer the following comments and recommendations regarding bookkeeping and accounting matters.

LEGAL COMPLIANCE

1. Expenditures exceeded amounts appropriated in the General Fund - general government and debt service (See Note 3 to Financial Statements).

GENERAL

1. Trailer park fees collected throughout the year were not submitted to the County.
2. Purchase orders should be completed prior to ordering items, rather than after the fact when the invoice arrives. Department heads should approve purchase orders.
3. Inquiries regarding accounts receivable (utility billings) balances or differences should be handled by someone other than the person who collected the cash receipt.

We appreciate the courtesy and cooperation extended to us by the officials and employees of the City of Hartford and trust that these comments and suggestions will be received in the spirit of cooperation in which they are intended.

Very truly yours,


GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

CITY OF HARTFORD
Schedule of Economic Development Corporation Promissory Note
June 30, 2005

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due	Principal Due	Balance
2006	2.00%	\$ 22,117	\$ 3,864	\$ 18,253	\$ 181,747
2007	2.00	22,117	3,496	18,621	163,126
2008	2.00	22,117	3,121	18,996	144,130
2009	2.00	22,117	2,738	19,379	124,751
2010	2.00	22,116	2,347	19,769	104,982
2011	2.00	22,116	1,949	20,167	84,815
2012	2.00	22,117	1,543	20,574	64,241
2013	2.00	22,116	1,128	20,988	43,253
2014	2.00	22,116	705	21,411	21,842
2015	2.00	22,116	274	21,842	-
		<u>\$ 221,165</u>	<u>\$ 21,165</u>	<u>\$ 200,000</u>	